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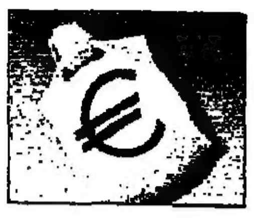

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Nazi gold and the Swiss banks

How the threat of sanctions against every Swiss company and other pressures finally led to a settlement of restitution and compensation claims by victims of the holocaust.
In tomorrow's FT

World stock markets in new rally

Greenspan's latest comments cheer traders anxious to mark up prices

By Our Financial and International Staff

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World stock markets yesterday seized on weekend remarks from Alan Greenspan, the US Federal Reserve chairman, to launch another attempt at a rebound, after the severe correction since mid-July.

Asian bourses led the rally with Tokyo gaining 5.3 per cent and Hong Kong 7.9 per cent. European markets then took up the baton. In London, the FTSE 100 index enjoyed its second biggest one-day points rise, jumping 180 to 5,347.

The Fed chairman said at a conference on Friday that the world financial turmoil would have an impact on the US economy and the next move in interest rates was as likely to be down as up.

Although Mr Greenspan's comments were couched in his normal cautious tones, the US money markets are now pricing in a fall in the benchmark Federal Funds rate by the end of the year.

Many observers trace the start of the correction in global stock markets to comments by Mr Greenspan in July about the inflationary threat to the US economy. So his apparent change of heart was leapt on by traders anxious to mark up prices after the headlong decline of recent weeks.

European markets gained 1-2 per cent, with the transnational FTSE Eurotop 300 index gaining 2.3 per cent. Wall Street was closed for the Labor Day holiday.

Asia was helped by the Greenspan comments, but had its own reasons for a revival. Regional governments were active in the markets again, with some politicians implicitly rejecting the free market ethos as they struggled to stabilise their currencies and stock markets.

In Tokyo, the Nikkei 225 average was given a lift by the stronger yen – as the US dollar fell on the talk of rate cuts – but also by some reported buying of blue chips by government institutions.

In Hong Kong, the main driver was the government effort aimed at strengthening the financial system and the currency board. The measures boost liquidity in the money markets. Moves were also made to limit short selling, the practice of selling shares which one does not own in the hope of buying them back at a lower price. By stabilising interest rates and reducing the possibility of speculative attack, the government helped confidence return to the market.

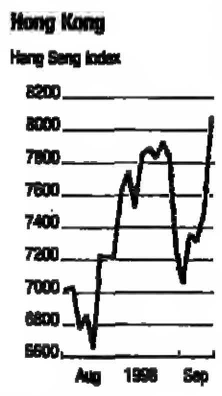
In Malaysia, share prices jumped 22 per cent as Malaysians brought money in from offshore ahead of a month's-end deadline to repatriate all ringgit or have it declared illegal tender.

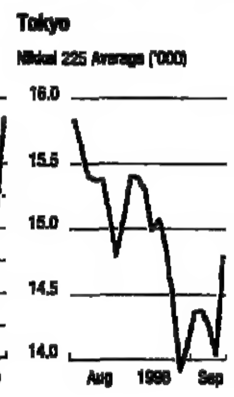
While some of those repatriating funds moved directly into the equity market, other local investors bought in anticipation of a rush for shares in the face of dropping interest rates, which have been cut since the introduction of controls. Overseas investors are trapped in the market by a rule that prevents them from repatriating the proceeds of share sales for a year.

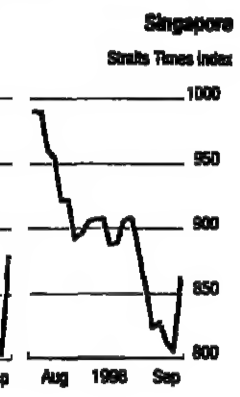
Analysts said they could not rule out that the rally was supported by government-linked funds and companies buying to prop up the market in an attempt to build support for the capital controls.

Reporting by Paul Abrahams in Tokyo, Philip Coggan in London, Louise Lucas in Hong Kong and Sheila McNulty in Kuala Lumpur

A Hong Kong stock exchange trader finds reason to smile as the market rallied yesterday AP







Source: Datastream/ICV

Duma rejects Chernomyrdin for second time

By John Thornhill in Moscow

Russia's parliament yesterday rejected Victor Chernomyrdin as prime minister for a second time, raising the spectre of another week of political confrontation as the rouble continues to slide out of control.

Further doubts were cast over the course of economic policy after Sergei Dubinin resigned as governor of the central bank. Mr Dubinin, who has a reputation as a strong monetarist, was opposed to the bank printing money to tackle Russia's economic woes.

The official rouble to US dollar rate fell again yesterday to 18.90. That means the Russian currency has now lost two-thirds of its value in three weeks. Prices in Russian stores have soared and shoppers have started hoarding essential goods such as sugar, flour, and candles, just as in late Soviet times.

In an aggressive speech in the Duma, the lower house of parliament, Mr Chernomyrdin yesterday warned that Russia was heading towards an "Indonesian scenario". "The economic crisis is deepening in the country at a catastrophic pace," he said. "We are all on the brink and time is measured in hours. We should stop the senseless and harmful confrontation between the branches of power."

Fitch IBCA, the international credit rating agency, yesterday estimated that foreign private creditors could have lost $100bn as a result of Russia's financial collapse. "The agency believes this would represent the single largest credit loss ever imposed on private sector creditors," it said, although it warned the figures were "highly speculative".

Mr Chernomyrdin won the support of 138 of the Duma's 450 MPs compared with 94 during the first confirmation debate a week ago. Earlier, President Boris Yeltsin rejected all alternative prime ministerial nominees during a round-table meeting with regional and parliamentary leaders and suggested the Duma approve Mr Chernomyrdin for a limited period of six to eight months.

Following the Duma vote, Kremlin officials said Mr Yeltsin intended to back Mr Chernomyrdin's nomination a third time, meaning he would continue as prime minister irrespective of parliament's next vote. If parliament votes down Mr Chernomyrdin's candidacy a third time the move will trigger a dissolution of parliament. But the acting prime minister will remain in office until a new parliament is formed.

Grigory Yavlinsky, the leader of the liberal Yabloko faction, said that during his five years as prime minister Mr Chernomyrdin had been responsible for the creation of a semi-criminalised economy and the war in Chechnya and had lost the trust of the people.

Rouble plans, Page 2
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NTT arm could be worth $50bn in IPO

By Vincent Boland in London

NTT DoCoMo, the mobile telephone arm of Japan's Nippon Telegraph and Telephone, will be listed on the Tokyo Stock Exchange next month. DoCoMo could be valued as high as $50bn, making it one of the biggest initial public offerings in recent years.

A total of 28.5 per cent of DoCoMo, one of the world's largest mobile phone operators with more than 20m subscribers, will be offered to investors in Japan and around the world by the sale of existing and new shares.

The sale could raise between $12bn and $15bn, giving DoCoMo the highest market capitalisation of any mobile phones operator.

NTT first mooted the offer early last year, but it had been in doubt because of the sluggish Japanese stock market and uncertainty over government plans for the sale of a further stake in state-controlled NTT, which may now not happen until early 1999.

But the sharp downturn in global stock markets in recent weeks, sparked by the financial crisis in Russia, has had less impact in Japan than elsewhere. Bankers believe there is currently strong investor appetite for Japanese telecoms stocks.

The company and its advisers will set a price range for the 545,000 shares being offered later this month. Some estimates suggest they could be valued at Y4m to Y5m each, although a new-issue discount may reduce that. Trading is to start on October 22.

The IPO will reduce NTT's holding in DoCoMo, from 95 per cent to 67 per cent. It is expected to sell fewer than half the shares to be offered. The issue of new shares will further dilute NTT's stake and allow the mobile company to raise fresh capital to expand its own operations.

Nikko Securities and Goldman Sachs are the lead managers for the DoCoMo sale – the largest out of Japan since the partial privatisation of NTT in October, 1987. The government owns 65 per cent of NTT.

The DoCoMo shares will be offered in four tranches, with two of them aimed at investors in the US and the rest of the world. The company hopes 70 per cent of the transaction will be bought by Japanese retail and institutional investors, but there is concern that the high nominal price might deter individual buyers.

"These will be very expensive shares in absolute terms, and the question is whether Japanese retail investors will be attracted by the high nominal price," one banker said.

A banking syndicate has been set up to handle the sale, with the appointment as co-lead managers of Daiwa Securities, Nomura Securities, Dresdner Kleinwort Benson and Warburg Dillon Read.

WORLD NEWS

Milosevic unmoved by US envoys' pleas on human rights

US envoys admitted yesterday they had made little headway with Yugoslav president Slobodan Milosevic when they raised the "horrendous human rights abuses" they had seen in war-torn Kosovo province. John Shattuck, US assistant secretary for human rights, said thousands of ill-clad refugees were sleeping rough in forests. **Page 2**

Cambodian conflict flares
Cambodian military police broke up a rally outside a Phnom Penh hotel where opposition politician Sam Rainsy took refuge in a UN office. He sought protection after an order was issued for his arrest for allegedly trying to kill government leader Hun Sen. **Page 4**

Mahathir takes finance post
Malaysian prime minister Mahathir Mohamad named himself first finance minister following last week's sacking of deputy prime minister and finance minister Anwar Ibrahim. **Page 4**

Israeli strike called off
Israeli unions called off a public sector strike after night-long negotiations resulted in a deal with the Treasury on wages.

Taliban loses strategic position
Afghanistan's Taliban militia lost a strategic hilltop post just north of the capital Kabul to opposition fighters loyal to commander Ahmad Shah Masood.

Burmese opposition members held
More than 100 Burmese opposition National League for Democracy members have been detained by the military government for questioning over the democrats' vow to call a "People's Parliament" . **Page 4**

UK expert triggers meat scare
A UK health adviser warned that sheep could be carrying BSE, or mad cow disease. Prof Jeffrey Almond said there was a theoretical risk that they could be infected and pass the disease to humans. **Page 10**

Congo rebels join peace talks
Congolese rebel leader Arthur Z'Ahidi Ngoma arrived in Zimbabwe for a peace summit saying there would be no ceasefire in the former Zaire without a political settlement.

Colombia hostage freed
Colombian rebels have freed an American they held to ransom for over five months. Donald Lee Carey was abducted by Revolutionary Armed Forces of Colombia rebels on March 21.

Labor Day criticism
AFL-CIO president John Sweeney, America's leading union official, denounced the "cruel winner-take-all economy" and accused employers of manipulating labour laws to discourage union organisation. **Page 8**

World wonder may rise again
Alexandria's lighthouse, one of the seven wonders of the ancient world, may be rebuilt on the same site in a modern version, the project's sponsor said. Fondation Internationale Pierre Cardin, run by the French fashion designer, said the Egyptian authorities backed the plan.

BUSINESS NEWS

Airbus Industrie and Boeing end battle for market share

Boeing and Airbus Industrie, the world's biggest aircraft makers, are ending their battle to win market share. Each said separately it would concentrate on increasing profitability. **Page 20; Airbus 100-seater to rival Boeing, Page 6; Editorial Comment, Page 19; Lex, Page 20; Northrop open to alliance, Page 23**

DaimlerChrysler, the new German-US group, will become the biggest company on Germany's stock exchange after trading of its shares begins later this year. **Page 22**

PepsiCo, US drinks and snacks group, sold the chocolate business of Wedel, its Polish subsidiary, to UK confectionery and soft drinks group Cadbury Schweppes for $76.5m. **Page 21**

Billiton, international metals and mining group which listed in London last year, reported maiden pre-tax profits of $838m, at the top end of expectations. **Page 21; Comment, Page 26**

Veba and RWE, German industrial conglomerates, dropped plans to bring US telecoms group BellSouth into their joint telecoms venture. **Page 21**

Bouygues, French construction and utility group, confirmed it was in talks with General Public Utilities of the US "and others" about the sale of a minority share in its Saur water distribution and public services arm. **Page 22**

Boehler-Uddeholm, Austrian maker of high-grade steel, said strong demand in Europe and the US helped raise first-half pre-tax profits by 50 per cent to Sch675m ($55m). **Page 22**

Lenzing shares rose nearly 9 per cent after the Austrian fibremaker reported a return to profit for the first half. **Page 22**

Dewhirst shares lost almost a fifth of their value after the UK textiles group reported interim results depressed by overstocking at retailer Marks and Spencer, its main customer. **Page 26**

Standard & Poor's, the rating agency, warned that non-performing loans in the Philippine banking industry were increasing at an "alarming rate". **Page 24**

Anglo American Corporation, South African mining house, said it planned to spend R4bn ($600m) on developing a zinc deposit in the northern Cape. **Page 22**

NEC, Japanese electronics group, has set up a company in Singapore to develop base stations for an advanced mobile phone system. **Page 24**

First Pacific, one of Asia's biggest conglomerates, reported interim pre-exceptional net profits down 77.4 per cent to $23.7m, hit by provisions and currency devaluations. **Page 24**

World Equity Markets
The latest trends and data from more than 50 national markets at a glance.
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WORLD MARKETS

STOCK MARKET INDICES		
Europe and Far East		
CAC40	3695.35	(+2.11)
DAX	4923.37	(+103.12)
FTSE 100	5347.0	(+180.0)
Nikkei	14790.06	(+747.15)
OTHER RATES		
UK: 3-mo interbank	7¾%	(7⅝%)
UK: 10 yr Gilt	114.2188	(113.851)
France: 10 yr OAT	106.75	(106.73)
Germany: 10 yr Bund	107.51	(107.63)
Japan: 10 yr JGB	112.83	(112.85)
NORTH SEA OIL (Argus)		
Brent Dated	$12.50½	(12.90)

GOLD		
London:	$286.45	(285.35)
EXCHANGE RATES		
Sterling:		
$	1.6891	(1.6732)
DM	2.8792	(2.8023)
FFr	9.6524	(9.7314)
SFr	2.355	(2.3818)
Y	219.76	(224.769)
Tokyo close		Y 123.86
New York markets closed		

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Chicago · Los Angeles · Tokyo · Hong Kong

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WORLD NEWS

EUROPE

RUSSIAN CRISIS SERGEI DUBININ QUITS AFTER FIERCE CRITICISM

Central bank chief resigns

By Chrystia Freeland in Moscow

Sergei Dubinin, once a hero of Russia's financial stabilisation drive, yesterday resigned from his job as central bank chairman, a victim of Russia's mounting financial crisis.

Mr Dubinin, who rejected a Kremlin effort to force him to step down three weeks ago, yesterday offered his resignation to Russian President Boris Yeltsin. Andrei Kozlov, one of Mr Dubinin's deputies, had resigned over the weekend.

Adding to Mr Dubinin's humiliation, the Kremlin's only reaction was to say that he should have stepped down earlier.

The leftwing opposition and western and Russian bankers had fiercely criticised Mr Dubinin's handling of the financial crisis, accusing him of exacerbating problems by trying to prop up failing Russian banks. The final blow came when Victor Chernomyrdin, the acting prime minister and a longtime patron of Mr Dubinin, publicly called for a change in the leadership of the central bank.

Meanwhile, the rouble continued its free fall yesterday. Trading on the Moscow Interbank Currency Exchange, the main currency trading system, was declared null and void because there was almost no demand for roubles.

Just a few months ago, Mr Dubinin was one of Russia's most respected politicians, credited with a tough monetary policy that brought inflation almost to a standstill and restored public faith in the rouble.

But over the past three weeks, as Russia has plunged into financial turmoil, Mr Dubinin's reputation has gone with it. Among ordinary Russians, he is reviled for failing to protect their savings in commercial banks and allowing the value of the rouble to plunge.

On the financial markets, he has been attacked for his part in the government's widely criticised decision simultaneously to devalue the rouble, effectively to default on its debt and to declare a confusing moratorium on commercial bank debt payments.

"The financial markets had completely lost faith in Dubinin," said Margot Jacobs, banking analyst at United Financial Group, a Moscow investment bank. "I grudgingly have to give him credit for stabilisation in 1996 and 1997, but he clearly does not have what it takes to regulate the banking system, which is part of the reason the problems today are so grave."

Under Russian law, parliament must approve Mr Dubinin's resignation. Candidates to succeed him are Dmitry Tulin, chairman of the state-owned Vneshtorgbank, Alexander Shokhin, head of the pro-government faction in parliament and an ally of Mr Chernomyrdin, and Victor Gerashchenko, a former head of the central bank. Mr Gerashchenko was once denounced by an economist as the world's worst central banker.

Dubinin: Kremlin said he should have stepped down earlier Reuters

EURO PEG PLAN

Brussels studies rouble plans

By Neil Buckley in Brussels

The European Commission said yesterday it was examining Russian ideas for a currency board to stabilise the rouble, possibly pegging the falling currency to the euro.

The European Union executive said these proposals "needed to be looked at", and were being studied in preparation for a special G7 meeting in London on Saturday. Officials warned, however, that conditions would have to be attached to any arrangement, and that it was "premature" to talk about additional macro-economic assistance from the EU.

The news came as the EU's former ambassador to Russia, Michael Emerson, said the European response had been dangerously complacent in the face of a crisis of "extraordinary gravity".

A paper for the Centre for European Policy Studies, a Brussels think-tank, by Mr Emerson and Daniel Gros, an economist, urged the EU to back a currency board to avert hyperinflation in Russia, estimating this would require external financing of about Ecu30bn-Ecu35bn ($33bn-$39bn).

"The present systemic collapse, interacting with hyperinflation, would amount to circumstances comparable, if not worse, than those which preceded the Russian Revolution of 1917, or which led to the rise of fascism in Germany," the paper warned.

Victor Chernomyrdin, Russia's prime minister designate, has advocated a currency board, but has met intense domestic opposition to the idea.

Yves-Thibault de Silguy, EU monetary affairs commissioner, suggested that three necessary conditions for a currency board to work were not yet fulfilled. These were adequate hard currency reserves, a "credible and sound" economic programme to inspire market confidence, and a sufficiently well-established domestic banking system.

One question was whether a board would peg the rouble to the dollar or the single European currency.

Senior foreign ministry representatives from Austria, Britain and Germany, are expected to visit Moscow on behalf of the EU by the end of the week, ahead of the G7 meeting.

WESTERN ADVISER FORMER BUNDESBANK CHIEF POINTS TO MOSCOW'S LACK OF RESERVES AND CREDIBILITY

Pöhl sceptical on currency board

By Graham Bowley in Frankfurt

A currency board system, which the Russian authorities have proposed as a solution to their mounting economic woes, is unlikely to work in Russia, one of the Russian government's prominent western advisers said yesterday.

"The currency board concept has worked very well in Hong Kong and in Argentina. But in Russia neither the political nor the institutional preconditions for a currency board exist. To be efficient the central bank would need sufficient reserves and credibility. Both do not exist," said Karl Otto Pöhl, the influential former German Bundesbank president, who has been advising the Russian government.

In a bleak assessment of the situation in Russia, Mr Pöhl said the government's moratorium on debt payments, part of a crisis package announced on August 17, had inflicted lasting damage to its international credibility. Mr Pöhl said much of the aid the International Monetary Fund had provided to Russia in the past had been wasted and he urged the IMF to be cautious in granting the Kremlin further assistance.

"The debt moratorium was the biggest mistake. It means that the central bank and government have lost confidence and credibility for a long period of time," he said. "The IMF's money was not used properly. They should be very reluctant to provide the next tranche."

Mr Pöhl was summoned to Moscow last week to advise the Russian government, particularly Boris Fyodorov, the acting deputy prime minister, on how to cope with the crisis.

In a sign of the increasing influence of a small group of Russian business magnates, Mr Pöhl's invitation to Russia came from Boris Berezovsky, a financier and politician. Mr Berezovsky is one of the main forces behind Victor Chernomyrdin's bid to be confirmed as prime minister. He is also believed to have the ear of the Kremlin entourage.

Mr Pöhl warned that Russia's market reforms were in grave peril, regardless of whether the Russian parliament approved Mr Chernomyrdin's appointment as prime minister.

"If Chernomyrdin is approved by parliament he will have to compromise with the parties in parliament. The outcome of course will be the reversal of the reform process. More power will be given to the Duma. Capital controls and price controls will be introduced and some industries and banks may be renationalised," he said.

He added: "The IMF has played a useful role in countries like those in Latin America. But in the case of Indonesia and Russia, I doubt whether it was very useful."

Sweden's premier torn two ways as election nears

Persson's instinct is to shift his Social Democrats to the left but he has learned from experience, reports **Tim Burt**

Swedish elections

Göran Persson was either bored or irritated. Confronted by a voter demanding more generous training grants, the Swedish prime minister began flicking through a cookbook given to him minutes earlier by a party supporter.

Having stated his policy, the leader of Sweden's ruling Social Democrats declined to argue the finer points of local welfare delivery. Instead, Mr Persson used his campaign visit to Karlskrona, the old naval town 500km south of Stockholm, to alert voters to danger ahead.

"It will be extremely unwise to stay home for the election. You could wake up the next day with a weak centre-right coalition," he warned.

The applause in the town square was generous, even if the only new thing heard by the audience was the protest by a small group of neo-Nazis, quickly ushered away from Mr Persson's platform.

The prime minister paused for autographs and expertly worked the crowd, safe in the knowledge that Karlskrona should remain an SDP stronghold in the September 20 general election.

But the party's grip on power is not so secure elsewhere. The SDP, which came to office in 1994 with more than 45 per cent of the vote, has seen its ratings decline to about 37 per cent in recent polls. Though it should remain the biggest party, it may emerge from the election with a reduced parliamentary base from which to form a minority government.

That has been little solace to the main opposition Moderate party, led by former prime minister Carl Bildt, which has failed to breach the 30 per cent ceiling in any recent opinion poll.

Mr Bildt, who left Swedish politics after the last election to become the international peace envoy in Bosnia, hopes to form a non-socialist alliance with the Liberal and Christian Democrats. But even that grouping would be unlikely to achieve a parliamentary majority. It would not unseat Mr Persson if the SDP could reach an accommodation with other parties.

To Mr Persson's evident chagrin, the real winners of the campaign have so far been the former communist Left party, whose support has almost doubled from 6.2 per cent at the last election to about 12 per cent.

Sitting in the back of his campaign bus, the prime minister said: "We haven't lost support to the right, but to the left. My trouble is that my supporters do not see me as social democratic enough".

That sums up Mr Persson's dilemma. By political instinct, he would like to take his party leftwards, offering far more generous benefits and improved welfare, while not committing Sweden to European economic and monetary union.

But that desire is cancelled out by his experience as finance minister in the mid-1990s, when Sweden was labouring under a 12 per cent budget deficit and rising unemployment.

Since then, a tight fiscal policy has returned the country to break-even with a 2 per cent budget surplus in sight.

Yesterday, moreover, official figures pointed to a further decline in unemployment, excluding government training schemes, from 8.5 per cent to 7.3 per cent, year on year.

Mr Persson, who can be charming if a little immodest, makes clear: "I was the one who had to restore public finances. I will not lead a government that threatens that; the first priority remains reducing our debt."

That financial prudence, fully endorsed by Erik Asbrink, current finance minister, jars somewhat with the SDP's manifesto. It promises increased child benefit and lower charges for nursery places, with better pension provision, sharply reduced unemployment and higher grants to local authorities.

Yet Mr Asbrink, who is even more financially conservative than Mr Persson, points out: "Such measures can be afforded because we are enjoying solid growth and low inflation; the SKr9bn [$1.1bn] of new spending is well within the reserves set up in the spring budget."

That message has pleased the markets, where analysts have applauded the SDP's "economic corset". But it irritates Moderate politicians and Mr Bildt in particular. He has accused the government of diverting attention from Sweden's onerous tax burden, and has proposed an SKr80bn package of spending cuts to finance lower taxes.

"The public sector is not performing well and we need to get away from the whole idea of a collectivist welfare state," he said.

But that is a difficult message to sell in a country where the public sector still employs more than 30 per cent of the workforce, and where income tax is paid with alacrity.

"Mr Bildt would make a wonderful New Labour politician in Britain or a Democrat in the US, but Sweden is not ready for his kind of medicine," according to one political analyst. Such sentiment has helped keep the Social Democrats in power for all but nine years since 1945.

Nevertheless, its parliamentary base is slowly weakening and it may have to form *ad hoc* alliances to exercise power over the next four years.

The anti-nuclear Centre party, which has supported the SDP for the past year, has said it wants a non-socialist government. But Mr Persson has hinted he could work with the Liberals and Christian Democrats in what would be a less socialist government, and that combination could win support from the Centre.

Persson: pleases markets

Sweden's election race

Polling institute	L	SDP	G	C	L	M	CD	Others
Temo	12.5	35.6	5.0	6.0	5.5	28.0	7.0	2.0
Skop	10.6	40.0	6.0	6.5	7.1	25.1	4.4	0.7
Demoskop	11.9	37.4	5.4	6.0	5.7	25.9	6.1	1.6
Gallup	11.2	38.2	4.1	4.6	6.0	24.9	7.5	2.1
Valet 1994	6.2	45.3	5.0	7.7	7.2	22.4	4.1	2.1

L=Left party SDP=Social Democrats G=Green C=Centre L=Liberals M = Moderate CD = Christian Democrat

Source: Svenska Dagbladet/Sifo

Belgrade defiant in face of human rights pleas

By Guy Dinmore in Belgrade

Two US envoys admitted yesterday they had made little headway in a meeting with Yugoslav President Slobodan Milosevic when they raised the "horrendous human rights abuses" they had seen over the weekend in Serbia's war-torn province of Kosovo.

John Shattuck, US assistant secretary for human rights, told reporters of a candid conversation with Mr Milosevic in which they raised their concerns – government shelling of fleeing ethnic Albanian refugees, destroyed schools, hospitals converted into police stations, and villages empty except for packs of wild dogs.

Mr Shattuck said tens of thousands of refugees were sleeping rough in forests with nothing more than the clothes they had fled in. He urged the government to tackle the humanitarian catastrophe it had created through its military offensive against pro-independence rebels of the ethnic Albanian majority.

The seven-month conflict in Kosovo has produced over 250,000 refugees. While a few thousand have recently returned to their homes in some areas, others are on the move daily. Yesterday scores fled as Serbian police moved into the central village of Ostrozub.

Bob Dole, former US senator, who heads an international commission for missing people, said that he had nothing encouraging to report and that the war crimes committed in Bosnia were being repeated in Kosovo.

Mr Milosevic did grant one small concession. The International Committee of the Red Cross would be given access to hundreds of ethnic Albanian men separated from their families and held by police on suspicion of belonging to the separatist Kosovo Liberation Army (KLA). Reporters in Kosovo said it appeared that all but 60 of some 450 men seized last week near Ponorac had been freed.

Diplomats believe it is unlikely that Mr Milosevic would heed calls for a ceasefire and a withdrawal of his forces in the near term, despite remarks by Mr Shattuck that "all options" – a reference to possible Nato intervention – remained open.

Serbian police appeared to be massing for an attack just north of the provincial capital, Pristina, where KLA militants are mixed among refugees in one of the few pockets left untouched by a government offensive over the past two months.

A decision taken by European Union foreign ministers on Sunday to ban the Yugoslav state carrier JAT from flying to European Union countries is likely to be enforced soon, diplomats said. JAT said yesterday it was business as usual.

Malta to push for EU entry

By Michael Smith in Brussels

Malta is to push to join the "first wave" of new members of the European Union in the new millennium following the conservative National party's biggest election victory since the second world war at the weekend.

Eddie Fenech Adami, swept back to the premiership on a pro-EU platform, said: "The first thing I am going to do is to inform the EU that the Maltese people want membership."

Maltese officials in Brussels said they expected the country's application to join the EU, withdrawn by the then Labour government two years ago, to be reactivated within days.

"We shall ask to be included in the first group of applicants," said one. The first group comprises Poland, Hungary, the Czech Republic, Slovenia, Estonia and Cyprus, all of which are aiming for membership in the early part of the next decade. Another five central and east European members have also applied for membership but are less likely to win early entry.

The European Commission, the EU's executive, said it was too early to say whether Malta could be given "fast track" status in entry negotiations.

The Commission gave a positive opinion about Maltese membership in 1993 but a spokesman said a review would be needed to see if the opinion was still valid.

Diplomats said there was a reasonable chance Malta would be included in the first wave of entrants, although problems over Malta's replacement of valued-added taxes with customs and excise taxes would have to be resolved.

The weekend election, in which the Nationalists won 51.8 per cent of the vote, was greeted with celebrations in which people drove in cars draped with the flags of the winning party and of the EU.

NEWS DIGEST

LATER HOLIDAYS BOOST PRODUCTION

German industrial output shows increase of 3.8%

German industrial production rose by a seasonally adjusted 3.8 per cent from June to July, according to preliminary figures published by the economics ministry yesterday. Compared with July a year ago, production rose 2.9 per cent.

The increase, which followed a 1.2 per cent drop in production from May to June, came largely because the holiday season started later this year, the ministry said. Growth was particularly strong in the consumer products and capital goods sectors, where production rose 9.9 per cent and 6.6 per cent month-on-month respectively.

Industrial production in eastern Germany rose by 6.4 per cent, compared to 3.5 per cent in the western federal states.

However, the economics ministry warned that industrial production figures would show a decline for August, when more holidays were taken. **Tobias Buck, Bonn**

INFORMATION TECHNOLOGY

Banks to spend $30bn

Banks in western Europe will spend $30bn on information technology this year, according to research published yesterday by International Data Corporation, the market research group. The spending will be driven by the need to enhance their service delivery capabilities and to finalise preparations for the euro.

Bank IT spending on new delivery channels will be particularly high, as traditional brick-and-mortar branches are automated and new electronic delivery channels are developed.

"Bank IT spending will account for between 10 and 12 per cent of total IT spending in Western Europe this year," said Barbara Blesio, a senior research analyst with IDC.

Ms Blesio estimates that banks will account for about 16 per cent of the total $93bn expected to be spent on IT systems between 1997 and 2001 in preparation for the introduction of the euro. She says US banks operating in Europe are much more focused on electronic commerce than their European counterparts, which are more concerned about ensuring Year 2000 compliance and the introduction of the euro. **Paul Taylor, Paris**

NORWEGIAN PREMIER

Bondevik prolongs absence

Kjell Magne Bondevik, the Norwegian prime minister, yesterday prolonged his absence from work, taking an additional seven days to recover from a work-induced "depressive reaction". Last week, Mr Bondevik took time off work to deal with his condition.

Mr Bondevik's doctor said he expected him to return well before parliament reconvened on October 2.

Mr Bondevik's absence has prompted criticism from Carl Hagen, leader of the opposition Progress party, which holds 25 out of 165 seats in parliament. Mr Hagen said parliament had to know more of Mr Bondevik's health problems to decide whether he was well enough to deal with any possible crisis. **Valeria Sköld, Oslo**

TENSION OVER CYPRUS

Greek PM to visit Turkey

Costas Simitis, the Greek prime minister, will visit Turkey next month, amid tension between the two rivals over the planned deployment of missiles on the divided island of Cyprus, a Turkish official said yesterday.

Tension between Turkey and Greece has increased since the Greek Cypriot-led government of Cyprus announced plans to install Russian-made S-300 anti-aircraft missiles on the island.

Mesut Yilmaz, the Turkish prime minister, warned while on a visit to Israel yesterday that Ankara could take "all necessary measures to protect the Turkish people in northern Cyprus" if Nicosia's Greek-Cypriot administration deployed the missiles in November as planned.

Greece backs the planned deployment, but Turkey has repeatedly threatened to destroy the missiles, saying they threaten it and the breakaway Turkish Cypriot state where it stations 30,000 troops. **Reuters, Ankara and Jerusalem**

ITALIAN CAR MARKET

Big fall in demand expected

Demand for new cars in Italy is expected to drop sharply during the next months following the end of government incentives on new car sales and a worsening of the general economic situation.

The impact of the end of the government incentives in July was already felt last month, when new registrations fell 11.4 per cent, to 95,800 cars, from July.

The Promotor group, which monitors trends in the Italian car market, said yesterday the volume of new orders in the first few days of this month was 77 per cent lower than in the same period last year.

In contrast to the gloomy prospects for new car sales in Italy, the secondhand car market has started showing signs of recovery in July and August.

The ISCO statistical institute also reported yesterday a fall in Italy's consumer confidence index in August to 117 from 118.9 in July. It said that 17 per cent of the respondents in its regular survey said in August they expected to buy a car over the next two years compared with 20 per cent in July. **Paul Betts, Milan**

GERMAN UNIONS

Plan for stronger ties

Two of Germany's largest unions said yesterday they wanted to strengthen their co-operation. The move reflects the trend towards consolidation among the country's ailing labour associations.

Germany's rival unions – which often compete for members – are under pressure to consolidate because of deteriorating finances and declining membership caused in part by the country's record levels of unemployment.

IG Bergbau-Chemie-Energie (IG BCE), the chemical and building workers union, and Deutsche Angestellten-Gewerkschaft (DAG), the white-collar workers' union, said their closer co-operation would increase links between the DAG and the DGB, the umbrella German trades union federation.

The IG BCE is part of the DGB but DAG, which is considered a maverick union, is not a member.

The unions said yesterday the co-operation in wage negotiations would give them increased power to protect workers' rights.

Earlier this year five unions which belong to the DGB and the DAG agreed to merge to form a "superunion" which would be the biggest in the democratic world. But there are growing doubts about whether the new union would work because of tensions between the member associations. **Graham Bowley, Frankfurt**

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ONE-DAY PROTEST SHORT STOPPAGES

Truckers to strike over work hours

By David Buchan in Paris, Michael Smith in Brussels and David White in Madrid

European truckers plan to stage a one-day protest today against their long working hours, which they want employers and European legislators to cut.

The protest is planned as part of a worldwide day of action aimed at combating the dangers of driver fatigue. Demonstrations are also scheduled in Latin America and India. But the focus is on Europe, and changes in transnational legislation there.

The European truckers' union federation, the FST, is organising the protest with the International Transport Federation. It forecast short stoppages of traffic on the French-Belgian-Luxembourg borders, the French-Spanish border and Channel ports.

Rallies and demonstrations inside Germany and at points such as the Brenner Pass between Austria and Italy are also planned. The only action envisaged in the UK is a union visit to the transport ministry.

European truckers complain they are not covered by the European Union cap of 48 hours on the working week, which applies to virtually all other workers. They say EU legislation focuses only on driving hours, making no allowances for the waiting and loading that brings their average work week up to 60 hours or more.

However, EU unions and employers have been negotiating a draft accord, which in theory would be signed on September 18. The agreement would cater for drivers' total working time, and would set it at an average weekly maximum of 48 hours, which could rise to 60 hours a week but only for a limited period.

Romolo Vivarelli, secretary general of the FST, said the protest's main aim was to "ensure the employers actually sign the agreement on September 18 and to press the Brussels Commission into changing its other rules on driving hours accordingly". Full deregulation of road transport since July 1 has also fuelled truckers' concerns.

The Commission expressed bafflement at the timing of the protest. "We thought the social partners' [unions and employers] negotiations were going well," said an official.

In Spain, whose 184,000 drivers of heavy trucks currently work 56-hour weeks, unions are expected to block the main motorway crossing at La Jonquera on the eastern motorway between 10am and noon. The motorway is used by about 8,000 trucks a day. Passenger cars would be allowed to pass through.

Portuguese see big business as the winner from Emu

Living with the euro

Country's army of small shopkeepers plans to stick with escudos as long as possible, writes **Peter Wise**

Small business in Lisbon: shopkeepers already face an uncertain future Sarah Provan

Small-time confidence tricksters in rural Portugal are said to be adapting to the introduction of the single European currency by putting a new slant on one of their oldest scams.

Instead of posing as priests willing to be entrusted with gold, silver and jewellery for blessing by a visiting cardinal, they pass themselves off as government officials taking in escudos for conversion into euros.

The scam – possibly just a tall story – is a measure of the suspicion felt by many Portuguese that changing over to the euro will mean digging deeper into their pockets to pay for most goods and services.

Although an overwhelming majority support joining European economic and monetary union (Emu), only 5.8 per cent of those in a recent opinion poll felt the average citizen had anything to gain. Fewer than 1 per cent expected any benefit for the poor. The rich, government and big business were seen as the big winners.

"People feel that the new currency will be used as an excuse for putting prices up," says Maria José Chambel, who runs the village shop in Pisão, a small rural community 200km west of Lisbon in the Alentejo, one of Europe's poorest regions.

Adapting to the euro will be an extra headache for many shopkeepers already facing an uncertain future. Portugal has almost three times as many small grocery shops as the European average – about 3.8 per 1,000 inhabitants, compared with 1.4 for the European Union as a whole.

But an average of five are being forced out of business every day as consumers turn to big new supermarket and hypermarket chains.

In big supermarkets such as the Pingo Doce chain, shoppers can already press electronic shelf labels to find out, for example, that a litre of orange juice costs 399 escudos or 1.97 euros. This practice is frowned on by the Bank of Portugal because, until next January, it is based on an imaginary conversion rate for the euro.

In her village shop, which sells everything from cheese to nappies, Ms Chambel plans to stick solely with escudos "for as long as possible". She is well aware that only in January 2002 will euros begin circulating in notes and coins, alongside national currencies.

This is sound policy, according to the European Monetary Union Association. It says customers will be less confused if small retailers delay quoting prices in both currencies until the euro is about to appear in pockets, tills and purses.

Although fearing higher prices, most Portuguese expect to take working with the new currency in their stride.

The country welcomes 10m foreign tourists a year and small shops and cafés in the big towns and resorts are at home juggling with a handful of different currencies and languages.

Families are used to receiving foreign currency transfers from relatives who have emigrated. Europe also accounts for 80 per cent of Portuguese exports and 75 per cent of imports – a bigger share of foreign trade than in any other EU country.

This means all Portugal's banks and most companies are well practised in handling other countries, a skill less widespread in more developed EU economies, such as Germany.

But companies with no foreign dealings, especially retailers, are expected to experience some difficulty in adapting.

Just to stay in business, small shops already face the challenge of improving their premises, increasing productivity or changing into convenience stores, discount shops or franchise outlets. Adapting to the euro means extra costs and complications in the fight for survival.

Portugal is using European funds to help finance a Es45bn ($248m) programme, known as Procom, which provides grants and cheap loans to encourage small retailers to invest in modernisation and training. But shopkeepers have not been rushing to seek support.

Moreover, the government's television advertising explaining the single currency has hardly found great favour. In the adverts, an "uncle" unfolds the mysteries of the euro to an ingenuous family. But, for many Portuguese, he is the typical kind of know-it-all they would love to deflate.

Single currency may widen employment disparities

By Brian Groom

The European single currency is likely to widen regional disparities in unemployment levels, according to new research by three Cambridge University academics.

Michelle Baddeley, Ron Martin and Peter Tyler believe that monetary union "will impose a major and uneven shock across the regions of member states", and that "the regions likely to suffer most will be those that already have the highest relative unemployment rates". Their findings are reported in European Urban and Regional Studies.

Variations are already wide. EU unemployment began stabilising in most EU member states in 1995 after reaching a postwar record of more than 18m, but differences in that year ranged from 3.2 per cent in Salzburg, Austria, to 33.3 per cent in Andalucia, Spain.

Examining two decades, the authors find little evidence of any tendency for unemployment rates to converge. This leads to social exclusion, lost output and increased public spending and poses an obstacle to the achievement of regional cohesion across the EU.

Discussion about convergence has concentrated too much on inflation and deficits, they say, and too little on the real economies of member states – output, productivity and employment.

"Yet real convergence is vital if monetary integration is to be successful; without real convergence, monetary union will almost certainly put severe strains on the weaker regions in the EU."

Unlike the US, differences in culture, language and welfare systems will continue to hinder labour mobility across Europe, they say.

European Urban and Regional Studies. By subscription from Sage Publications, 6 Bonhill St, London EC2A 4PU.

To avoid moral hazard, opacity may be the rule

ECB watch

By Wolfgang Münchau in Frankfurt

Non-Europeans often wonder who is going to be the lender of last resort in Europe's new monetary regime. The European Central Bank will not fulfil that role, at least not explicitly. Its constitutional obligation is to stabilise the monetary environment of the euro-zone. Banking supervision will remain the concern of national central banks or specialised supervisory bodies.

The financial crises in Russia and Asia have put this issue on the agenda of European central bankers. European countries differ strongly in the way they deal with bailouts. The central banks of the UK, Italy, Finland and Spain are lenders of last resort to varying degrees. The Bundesbank, by contrast, is not. This has to do with a decentralised banking system, but also with different attitudes. German central bankers are extremely sensitive about moral hazard. This means that lenders and borrowers behave recklessly if they know that they will get bailed out eventually.

Joachim Fels, ECB watcher at Morgan Stanley Dean Witter in London, thinks the hands-off approach at the European level is problematic in the long run. "The ECB will have to define clear rules that determine the scope for national central banks during a crisis, setting down how much liquidity they can inject without collateral," he said.

An additional difficulty has been the trend for cross-border banking mergers, which created banks that operate on a pan-European level. One role for the ECB will be to collect national data and disseminate them throughout the system.

The current decentralised approach is geared towards the most likely scenario, a banking crisis affecting only one country.

But a shock that affects everybody would be far more dangerous – and more probable in the long run as Europe moves towards an integrated financial market.

Some senior European central bankers believe it is best to keep the financial sector guessing about the central bank's intentions. There may still be bailouts, but the rules should be sufficiently opaque to avoid moral hazard.

That appears likely to be the strategy the ECB adopts. The whole issue may never come to a head, but in the unlikely event of a systemic crunch, the so-called European System of Central Banks will face an early test.

Economic indicators for euro-11 countries

	Jul 1998	Jun 1998	May 98	Apr 98	Mar 98	Feb 98	1997	1996
Inflation (annual % change)†	1.4	1.4	1.4	1.4	1.2	1.2	1.6**	2.2**
Unemployment (%)	n/a	11.2	11.3	11.3	11.3	11.4	11.6	11.6
Trade (Ecu bn)								
Exports	n/a	n/a	n/a	67.5	71.3	63.3	758.5	667.7
Imports	n/a	n/a	n/a	60.0	63.5	58.1	668.3	594.2
Trade balance	n/a	n/a	n/a	7.4	7.8	5.2	90.2	73.5
	Feb-Apr/ Nov-Jan		Jan-Mar/ Oct-Dec		Dec-Feb/ Sep-Nov	Nov-Jan/ Aug-Oct	1997	1996
Industrial production (%) (3 mo over previous 3 mo)	1.3		1.3		1.2	1.1	4.2††	–0.2††
GDP growth (%)	Q1 1998	Q4 1997	Q3 1997	Q2 1997			1997	1996
Over same quarter last year	3.5	3.0	2.7	2.9			2.5	1.6

* provisional ** estimated † estimated due to Ireland, for which quarterly index numbers for 1995 and 1996 were used to estimate the monthly ones ††annual % change Source: Eurostat

Slovak broadcasters to defend poll coverage

By Robert Anderson

Slovakia's main commercial television and radio stations will be hauled before the broadcasting regulator today to answer charges that their coverage has violated a new law which bans them from "election campaigning".

The move may raise the political temperature before the September 25-26 elections, whose conduct is under scrutiny from international observers. Slovakia was left out of the first wave of potential European Union entrants last year mainly because of government intolerance of opposition.

The amendment to the election law, criticised by western governments for impeding free speech, bans private broadcasters from running party advertisements from 30 days before the vote. The amendment is vague and could be interpreted to cover political discussion programmes.

The Council for TV and Radio Broadcasting will examine the news coverage of TV Markiza, 49 per cent controlled by Central European Media Enterprises of the US, Radio Twist, a local news and music station, and Radio Free Europe, the US Congress-funded station. The Council can halt programmes, impose fines of up to Sk5m ($142,000), or even withdraw licences from offenders. Appointed by parliament, it has a built-in government majority.

TV Markiza last Sunday had the second episode of its "Leaders" series halted after an episode which profiled Mikulas Dzurinda, leader of the opposition Slovak Democratic Coalition.

Ivan Gasparovic, speaker of the parliament, last week defended the amendment, saying: "We wanted to prevent a situation where strong political parties with financial means could take advantage at the expense of smaller parties."

Opposition politicians and private media say the ban lets the government dominate poll coverage through the state TV and radio stations, which they say are heavily biased towards the government. Igor Kubis, general director of state-run Slovak Television, rejected these charges as "nonsense" in an interview last week.

However, Mr Kubis did say the station's French-style system of giving one-third of political coverage to the government, one-third to the ruling coalition and one-third to the opposition, helped to correct what he called the imbalance in coverage among the private broadcasters and newspapers, which tend openly to support the opposition.

Finance role taken over by Mahathir

By Sheila McNulty in Kuala Lumpur

Mahathir Mohamad, Malaysian prime minister, announced yesterday he was taking control of the Finance Ministry, following the sacking last week of his former heir apparent and finance minister, Anwar Ibrahim.

Dr Mahathir also appointed close confidants to lead the central bank after the resignation of the governor and his deputy over objections to extensive capital controls.

Economists said the appointments were irrelevant as Dr Mahathir, who is already home minister, has taken control over the country – politically and economically – amid the biggest crisis of his 17 years in office.

"They're just there to, effectively, sign on the dotted line what comes from higher authority," said Song Seng Wun, regional economist at G.K. Goh Research. "All the controls over the economy and policies come through the prime minister's office."

Dr Mahathir did not appoint a deputy prime minister to fill Mr Anwar's other previous role. He has no clear successor.

Dr Mahathir gave himself the title of first finance minister. But he charged Mustapa Mohamad, entrepreneur development minister, with day-to-day Finance Ministry matters by appointing him to the new position of second finance minister.

He appointed Ali Abdul Hassan Sulaiman, director general of the Prime Minister Department's Economic Planning Unit, as central bank governor. Zeti Akhtar Aziz, acting governor in the interim, becomes deputy governor.

Perhaps most startling of all, Dr Mahathir made Nor Mohamad Yakcop adviser to the central bank. Mr Nor resigned from that position several years ago after the central bank lost billions of ringgit in the foreign exchange market.

"This is quite shocking. Firstly an adviser being reappointed after having left in ignominy," said Lim Kit Siang, parliamentary opposition leader. "And then the appointment to the central bank of a non-banker. That appointment makes it very clear that there is no room for any independence. I think that's not very healthy."

The central bank moved quickly to take advantage of the capital controls by reducing the statutory reserve requirement (the money which institutions must place with the central bank at no interest) to 4 per cent, from 6 per cent. This is to improve liquidity in the banking system to revive lending, which has dropped considerably as recession forces bad loans to mount.

The bank also loosened curbs on lending to property, which were imposed to bring prices down to realistic levels before the crisis even began.

Mr Anwar and the central bank had fought against this looser monetary policy, favouring an International Monetary Fund-style tight monetary and fiscally conservative regime.

But Mr Anwar has been blamed for the swift move into recession and sidelined with police investigations into charges of sexual misdeeds and leaking state secrets.

Although Mr Anwar denies the allegations and says they are part of a government conspiracy, all high-level supporters have abandoned him. Nobody wants to be seen supporting Mr Anwar against Dr Mahathir, who is firmly in charge.

INTEREST RATES FALL CRIMINAL PENALTIES FOR FALSE AND INADEQUATE DISCLOSURES AND BETTER TRANSPARENCY IN FUTURES TRADING

Hong Kong tightens finance market rules

By Louise Lucas in Hong Kong

Hong Kong yesterday introduced further measures aimed at strengthening the financial system, after admitting that the August attack on the currency was the biggest crisis since creation of the fixed exchange link 15 years ago.

The new rules tighten discipline in the stock and futures markets, partly by introducing criminal penalties for false or inadequate disclosures and improving transparency in the futures market.

The government also said it would adopt an arm's length policy on the shares it accumulated during its estimated US$14bn buying binge in the latter half of August to remove concerns over a conflict of interest – for example, the fact that it is responsible for the supervision of HSBC Holdings, in which it has an 8.9 per cent stake.

Hong Kong's latest moves follow a package of monetary measures taken at the weekend, which essentially served to boost liquidity in the money markets and thus make interbank interest rates harder to manipulate.

Investors have broadly welcomed the various measures, and mutual fund managers – who had been chased out by the government's intervention – said they would now look at returning.

Interbank interest rates fell back sharply yesterday, with the benchmark three-month rate closing at around 8 per cent compared with 11 per cent on Friday.

Donald Tsang, financial secretary, said there appeared to have been a withdrawal by the "manipulators" – players who operated the double-play of attacking the Hong Kong dollar to profit from short positions on the stock market, which tends to fall during currency attacks – but added that he remained geared up for further war.

He said the August attack on the currency, which was sustained from across the globe in New York, London and Sydney, was the most serious financial crisis faced by the government since the massive slide in confidence that prompted the creation of the currency peg in 1983. This latest attack cost the government US$6.2bn.

This time around, fragile confidence at home was coupled with deteriorating markets externally.

"We knew something serious would happen if we just sat on our hands," Mr Tsang said.

However, he accepted that the new measures had costs attached; for example, greater stability in interbank interest rates came at the cost of greater volatility in the foreign exchange reserves as Exchange Fund papers – government bonds – can now be used to secure Hong Kong dollar funding.

While the moves were largely technical and Mr Tsang ruled out the possibility of foreign exchange controls, eyebrows were raised by plans to empower the chief executive, Tung Chee-hwa, to give immediate directions – where necessary – to the stock and futures markets.

However, Mr Tsang stressed this would come into play only in exceptional circumstances. Referring to the territory's ill-advised move to close down the Futures Exchange in the wake of the 1987 stock market crash, he said: "This is not something we want to go back to."

CAMBODIA TURMOIL OPPOSITION CLAIMS INCIDENT STAGED AS EXCUSE TO END PROTESTS

Hun Sen orders crackdown after grenade attack

By Ted Bardacke in Bangkok

Cambodia's post-election stalemate exploded into violence yesterday as the country's disputed leader, Hun Sen, accused opposition figure Sam Rainsy of launching a grenade attack against his house and ordered his arrest.

Three grenades were thrown from a passing car early yesterday into Mr Hun Sen's Phnom Penh compound. Although Mr Hun Sen was not at home at the time and no one was hurt, he labelled the attack an assassination attempt and said Mr Rainsy was trying to discredit July's disputed election. Mr Hun Sen ordered troops to clear thousands of protesters off the streets.

Officials from both Mr Rainsy's political party and his royalist ally Funcinpec, led by Prince Norodom Ranariddh, said they had nothing to do with the attack and charged Mr Hun Sen with staging the incident to justify a crackdown on opposition protests against alleged electoral fraud.

The attack was the latest in a series of post-election incidents, which include a grenade thrown inside the Interior Ministry compound at supporters of Mr Rainsy and the torching of a Vietnamese-built monument in Phnom Penh.

Mr Rainsy and Prince Ranariddh have been leading a mass sit-in in a Phnom Penh park and have said they will refuse to allow a government to be formed when the new National Assembly meets later this month unless ballots are recounted and someone other than Mr Hun Sen leads the government. Mr Rainsy was understood to be seeking protection from United Nations officials.

Yet observers said yesterday's incident could pave the way for Prince Ranariddh to distance himself from Mr Rainsy, allowing his Funcinpec party to help Mr Hun Sen form a government. Three days of talks among the three parties, mediated by King Norodom Sihanouk, broke down on Sunday.

"Violence is a proven negotiating tool here," said a diplomat. "Hun Sen is not yet implicating Ranariddh, only Rainsy. He still needs Ranariddh's support. If he doesn't get it, the electoral process is in real trouble."

A policeman holding an unexploded grenade found near the Phnom Penh home of Hun Sen yesterday Reuters

Mr Hun Sen said he wanted demonstrators off the streets but would attempt to have police clear them peacefully.

"The real attempt of those people is to destroy the result of the election," Mr Hun Sen said. "They know throwing grenades into my house is a way to provoke me, or force me to use force against the demonstration, which could cause bloodshed and...destroy the result of the election."

China acts on millennium bug

By James Kynge in Beijing

China has taken its first resolute steps towards tackling the year 2000 computer problem by issuing an order that system changes must be completed by next March.

The directive from the state council (cabinet) to all state bodies warns that if economic losses result from failure to tackle the software problem, then the relevant supervisors will be held responsible, officials said yesterday.

The software problem, which occurs when computers misread the year 2000 as 1900, is expected to be significant in China.

"One big problem lies with people's mentality," said Shao Kai, vice president of UFSoft, China's largest financial software company. "Many top executives of Chinese firms have yet to realise how serious this could be."

Zhang Qi, the top official in charge of tackling the "millennium bug", said that China was at least nine months behind western countries in addressing the issue. The state council order, however, now recognises the urgency of the task before the government.

The ministry of information industry is to train 5,000 specialists to solve the problem, either by changing or reconfiguring systems or buying new computers. The first class of specialists, chosen from government ministries and the main commissions, has begun tuition.

The "big four" state banks have been instructed to provide loans for software upgrades in companies. The ministries of finance and of science and technology have also been told to fund some of the equipment changes in government bodies.

Officials said that most key state bodies, such as the central bank, the China Securities Regulatory Commission, the Civil Aviation General Administration, the post office and the state power company, have already started to resolve the problem.

Beijing's seismological monitoring system was renewing all of its computers next month to make sure the bug would not interfere with earthquake forecasts, the official Xinhua news agency said.

Computer specialists said the private sector was most at risk, partly because entrepreneurs might be reluctant to allow technicians access to potentially confidential material contained on computer systems.

Mr Shao from UFSoft said his company was providing software upgrades to customers free of charge.

Sharif lays the ground for shariah law

Farhan Bokhari reports on a new bid to Islamicise Pakistan's courts

Nawaz Sharif, Pakistan's prime minister, has summoned a meeting of MPs from his ruling Pakistan Moslem League (PML) today in an attempt to prevent his party from dividing over plans to introduce Islamic laws in the country.

Mr Sharif needs the consent of two-thirds of the members of Pakistan's lower house of parliament,and two-thirds of the Senate to amend the constitution to make it subservient to the Koran (the Islamic book) and the *Sunnah* (teachings of the prophet Mohammed).

However, it's an increasingly controversial move. Many recall a similar Islamisation campaign by the late military dictator, General Zia ul Haq, in the 1980s. Among the most contentious measures then included one which said that the evidence of two women in a court was equal to that of one man.

For the first time since Mr Sharif came to power in a landslide election victory, 18 months ago, PML politicians concede that some of his MPs may openly oppose him on the issue. "There is opposition to the Islamic move which only suggests that the prime minister's grip [on the PML] may be weakening," said one MP.

In his latest public appeal for support, Mr Sharif told a gathering of Islamic preachers: "In the past you used to hold rulers accountable for not implementing Islam. Today I am holding on to you. Come, let us lay the foundation of a peaceful revolution... " Despite growing resistance from the Pakistani opposition and groups of minorities, Mr Sharif vowed: "Islam is my belief, my religion and my destination."

However, critics charge that Mr Sharif's move is an attempt to hold growing opposition from Islamic groups at bay.

He wants to pacify Islamic militants such as those at Sunday's rally at the Northern city of Peshawar, where chants of "Death to America" were aplenty.

The *tehreek nifaz-i-shariah* (movement for the enforcement of Islam) which organised the rally, promised to attack American property and kidnap US citizens in Pakistan, unless Washington apologised to the Moslem world for last month's air strikes at camps funded by Saudi dissident Osama Bin Laden in neighbouring Afghanistan.

Perhaps more seriously Mr Sharif's move has gelled together for the first time Pakistan's fractious political opposition. Benazir Bhutto, the opposition leader, this week announced the creation of a new grand alliance consisting of her Pakistan People's party and a group of smaller regional political parties.

The opposition's resistance has also cast doubts on Mr Sharif's ability to gain the Senate's approval. Political commentators say the PML may only get the support of 47 senators, well short of the 58 it needs.

A defeat in the Senate would further weaken Mr Sharif politically at a time when he needs to make tough decisions if Pakistan accepts harsh conditions tied to an International Monetary Fund loan its seeking. A fund mission is due here end of this week to begin fresh discussions on a loan programme, to help Pakistan stave off an impending crisis on its $42bn foreign debt.

The government defends its decision as a necessary step to create a welfare state. Mushahid Hussain, the information minister, said: "Everybody accepts that the present structure of government has failed. Either we stick to the status quo or we go for a radical restructuring."

Mr Hussain said, once the constitution was amended, the most vital change would be in the judicial system where cases now drag on for several years. In a measure of reassurance to the west, he said, Pakistan would remain a moderate and modern Moslem state.

However, analysts such as Maleeha Lodhi, Pakistan's former ambassador to Washington, said, the government had placed itself on a "course of self-destruct". "It's both a diversionary and a reactive move. Diversionary, because he [Mr Sharif] is beset by so many problems and reactive because of the rise of fundamentalists in the wake of the US air strikes in Afghanistan," she added.

Human rights activists such as prominent Pakistani lawyer, Asma Jehangir, say the move could throw the country's judicial system into turmoil. "The question is, who will decide what is according to *shariah* or not. The legal system will be up for interpretation and re-interpretation, and there will be chaos".

NEWS DIGEST

WORRIES ABOUT 'PEOPLE'S PARLIAMENT'

Burmese opposition leaders arrested

Burma's military government has launched a crackdown on the opposition National League for Democracy (NLD), detaining at least 110 leading members of the party, including 50 MPs. The arrests began late on Sunday and continued throughout yesterday. They were concentrated in provincial areas outside the capital, Rangoon, the NLD said.

Aung San Suu Kyi, NLD leader, and other executive committee members huddled in her personal compound were not targeted for arrest.

The government confirmed that arrests had taken place and said that it was seeking information about the NLD's plans to convene a "people's parliament" later this month. The NLD said last month it would call a meeting of the parliament elected in a 1990 poll whose results were never recognised by the government. The government has said such a meeting would be illegal and could result in the outlawing of the NLD. **Ted Bardacke, Bangkok**

INDONESIAN PROTEST

Students urge Habibie to quit

More than 1,000 Indonesian students broke into the parliament compound yesterday, demanding lower food prices, the resignation of President B.J. Habibie and the disbandment of parliament.

Though small, the protest marked a revival of student activism in Indonesia, following a three-month pause since massive protest triggered the downfall of former President Suharto.

The students, mostly members of the Christian minority, only pushed 30 metres into the compound before police stopped them. Unlike in Mr Suharto's years, police refrained from violence and students camped out near the entrance into the night. **Sander Thoenes, Jakarta**

CHINA HUMAN RIGHTS

Robinson not to meet activists

Mary Robinson, United Nations high commissioner for human rights, said yesterday that she had no plans to meet dissidents during her current visit to China. Her visit, the first by a UN high commissioner for human rights since China's Communist revolution in 1949, would instead focus on meetings with officials and members of state-sanctioned organisations. Ms Robinson said that several UN officers were in contact with dissidents in China but it would not be appropriate for her to meet them during this visit.

Permission for her visit was granted on the understanding that a spirit of constructive dialogue would dominate, and that activities confrontational to Beijing would not be acceptable, a UN official said.

Since her arrival in China on Sunday, a group of 116 Chinese activists sent a petition demanding that she tour labour camps and press Beijing to stop using a "reform through labour" punishment in labour camps, without trial.

China has pledged to sign the UN International Covenant on Civil and Political Rights this autumn.
James Kynge, Beijing

SOUTH KOREA

Seoul seeks talks with North

South Korea yesterday called for the resumption of an official dialogue with North Korea after Pyongyang appointed a new leadership line-up at the weekend. "We hope that North Korea's inauguration of a new leadership will serve as an opportunity to help open an era of peace, reconciliation and co-operation between the South and the North," said the Ministry of Unification.

North Korea's Supreme People's Assembly, or parliament, on Saturday re-elected Kim Jong-il, son of the late "Great Leader" President Kim Il-sung, as chairman of an enhanced National Defence Commission.

It abolished the post of president and instead hailed the late Kim as the country's "eternal president". It called chairman of the National Defence Commission "the highest post of the state". The North also replaced the former Administration Council with a western-style cabinet and established a presidium in parliament under Kim Jong-pil's control. **Reuters, Seoul**

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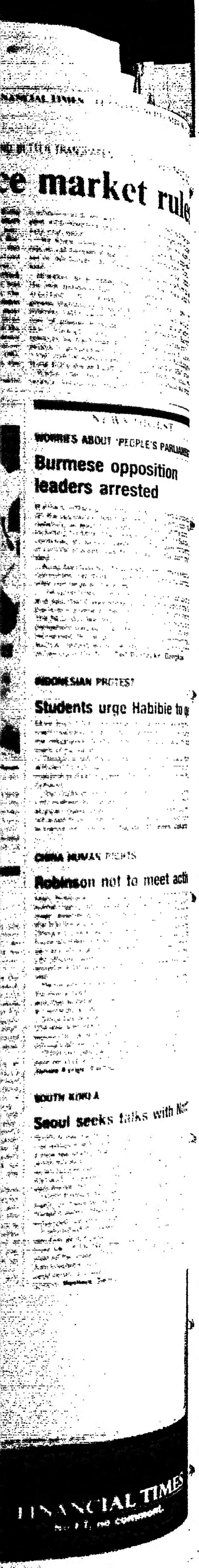

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FARNBOROUGH AIR SHOW MINISTERS IMPATIENT FOR CONSOLIDATION OF AEROSPACE INDUSTRY TO PROCEED

European leaders shrug off French merger reservations

By Michael Skapinker and Alexander Nicoll in Farnborough

European industry and transport ministers yesterday presented a united front over the future of their defence and aerospace companies, insisting that the French government presented no obstacle to consolidation.

The ministers were meeting shortly after Jean-Claude Gayssot, the French transport minister, warned that any merger between British Aerospace and Daimler-Benz Aerospace (Dasa) of Germany could jeopardise plans to turn Airbus Industrie into a limited company. The transformation of Airbus is a central feature of plans to create a unified European Aerospace and Defence Company (EADC).

The ministers from the UK, Germany, France and Spain said after a meeting at the Farnborough air show that they were impatient for the consolidation of the industry to proceed. Mr Gayssot said yesterday that the French government's only concern was that equilibrium be maintained between the four companies that owned Airbus and that no partner be allowed to dominate. Airbus is owned by Dasa, British Aerospace, Aerospatiale of France and Casa of Spain.

Peter Mandelson, the UK trade and industry secretary, said the ministers expected Airbus to become a limited company by the middle of next year. He said, however, that the Airbus partners still needed to settle issues such as how much their respective assets are worth and where the new company will have its legal domicile. It will be headquartered in Toulouse. Airbus is at present a confederation of the four companies and makes no profits and losses in its own right.

Tony Blair, the UK prime minister, also urged the industry to move towards consolidation when he opened the air show yesterday morning.

Accompanied by Peter Mandelson, the British trade and industry secretary, Mr Blair said: "Over the last year, the aerospace industry has made important progress on restructuring in order to beat the growing challenge of being globally competitive. I have strongly supported this."

The four governments – UK, France, Spain, and Germany – have urged Europe's defence and aerospace industry to consolidate to confront competition from large US groups such as Boeing, Lockheed Martin and Raytheon.

However, Dasa and BAe have said that the French government's control of Aerospatiale was an obstacle to reform. The French government earlier this year announced that it was merging Aerospatiale with Matra, the defence and electronics arm of the Lagardere group. This would result in the French government's stake in Aerospatiale falling to below 50 per cent.

British Aerospace and Dasa have said the French government would still have too great an influence over a combined aerospace and defence group.

However, the UK government is confident the French government is ready to demonstrate that it will not try to influence the management of any merged aerospace and defence company.

The decision to reduce the French government stake to below 50 per cent was regarded by the UK as an important psychological step. The UK believes the French government is more pragmatic than it is given credit for and that it will move to reduce its Aerospatiale stake further eventually.

An American mechanic beside an F16 at the show. A consolidation of the European aerospace and defence industries would challenge the domination of US companies David Ahmed

ARIANESPACE

French space agency ready to cut stake

By David Owen in Paris

The Centre National d'Etudes Spatiales, the French space agency, is ready to reduce its stake in Arianespace, in a move that could pave the way for a significant reorganisation of shareholdings in the European commercial satellite-launching consortium.

Gérard Brachet, the agency's managing director, told Air et Cosmos, a specialist magazine, that the body was ready to shed part of the 32 per cent stake which currently makes it Arianespace's largest shareholder in order to "recentre" the consortium around an industrial shareholder of reference.

But he said the agency ought to keep an interest of about 20 per cent "in order to conserve a significant role".

It has been clear for some time that the long-drawn-out restructuring of the European aerospace industry was likely to have a knock-on effect for Arianespace, most of whose 50 shareholders are aerospace manufacturers and engineering companies.

The idea of restructuring Arianespace to make it more commercial was already under consideration by France's previous centre-right government, with François Fillon, then space minister, talking of building a "more market-oriented, more economic, more industrial, less public" structure.

Nevertheless, the current French government responded to Mr Brachet's remarks by appearing to play down the prospects of rapid change. Claude Allègre, education, research and technology minister, told Europe 1 radio: "At this stage there is no decision on the future of Arianespace."

French entities currently hold a combined stake of 57 per cent of the consortium, with German groups having more than 18 per cent and Italian just over 7 per cent.

The consortium faces tougher competition in a market it has dominated in recent years with the imminent arrival of a string of new launchers.

It is currently trying to cram eight flights, including the third launch of the new Ariane 5 rocket, into little more than four months at the end of the year.

CONTRACTS

Success for makers of regional aircraft and for Boeing

Aircraft deals worth millions of dollars were announced at the air show yesterday.

- **Boeing** said it had won an order for 17 aircraft from International Lease Finance to include nine next-generation 737-800s. ILF has also ordered six 757-200s, one extended-range 767-300ER and one 777-200ER.
- **Continental Express**, a unit of Continental Airlines, has ordered 25 50-seater jets from Brazil's Embraer worth $375m. The order is the third tranche of 25 Embraer RJ145 jets. Continental has also ordered 25 RJ135 jets, bringing its total orders to 100 aircraft. Continental has the option to acquire an additional 175 RJ145s and RJ135s, exercisable over the next 10 years. Continental Airlines recently said its unit would retire some of its turbo-prop aircraft in favour of jet aircraft.
- **KLM Royal Dutch Airlines** yesterday became the first European airline to purchase the Boeing 737-900 aircraft with an order for four aircraft valued at $238m. The order brings Boeing's total orders for the next generation 737 planes to more than 1,000. The planes are scheduled for delivery in 2001.
- **Bombardier** of Canada is today expected to announce it has received an order for 10 Canadair regional jets in a contract worth around $27m. Last week Bombardier announced contracts totalling $723m including an agreement with Atlantic Southeast Airlines for 27 CRJ Series 200 and 700 aircraft and an order from Midway Airlines for seven CRJ aircraft.
- **Qantas Airways** has asked Rolls-Royce to upgrade the engines of the airline's existing 18-strong fleet of Boeing 747-400 aircraft. This business is in addition to the order announced in June for the RB211-524G/H-T to power new 747-400 aircraft for Qantas.
- **Rolls-Royce** also said it had won a $36m order for engines to power two more Boeing 757-200 aircraft for American Trans Air. The order value also includes a spare engine.

MILITARY TRANSPORTS

Boeing and BAe to seek RAF deal

By Alexander Nicoll

Boeing of the US is close to linking up with British Aerospace in a bid to supply C-17 Globemaster aircraft to meet the British Royal Air Force's short-term needs for "heavy lift" transport capability.

An agreement between the two companies, still being negotiated, would represent a powerful competitor against any others which may bid in a contest launched last month by the ministry of defence.

BAe would win significant subcontract work on Boeing civil aircraft programmes under the proposed agreement – perhaps worth as much as the entire cost of the British C-17 contract.

RAF officers have expressed a clear preference for the C-17 over other aircraft to fill a gap in Britain's ability to deploy forces rapidly to the world's trouble spots.

The RAF wants to lease four of the Boeing aircraft, which are large enough to carry a main battle tank, as a short-term measure to tide the RAF over until a longer term solution is in place.

The government's strategic defence review, published in July, included plans to acquire four C-17s or equivalent aircraft as a short-term measure. The MoD has since launched parallel competitions to meet both the near-term and long-term requirements – the latter also include replacement of half of the RAF's Hercules fleet.

Since Boeing makes the C-17 – which would cost over $200m each to buy – its decision to lodge a bid itself appears to preclude the possibility of any other company offering C-17s through an alternative financing route.

Under the proposed bid BAe would support the C-17 aircraft and introduce them to the RAF, as well as winning the new subcontract work.

BAe's involvement in the C-17 offer could complicate the outlet for the European future large aircraft (FLA), in which BAe has a large role as a partner in the Airbus consortium which would build it. BAe executives said the company remained fully committed to the FLA, but wanted to meet the MoD's requirements.

The prospects for the FLA – which would be smaller than a C-17 but bigger than a Hercules – are clouded by Germany's decision to study the Russo-Ukrainian Antonov-70 aircraft as an alternative. However, some German industrialists believe Bonn will eventually reject the Antonov, which has a five-man cockpit, and return to the FLA which has a two-man flight crew. Russia's financial problems also do not bode well for the Antonov's development.

The RAF, which is about to begin taking delivery of 25 Lockheed Martin C-130J transports, does not wish to have three types of transport aircraft in its fleet. This means it will eventually have to choose between two out of the C-17, the C-130J and the FLA. Choice of the C-17 and the FLA would mean selling the new C-130Js and its older Hercules.

REGIONAL JETS AIRCRAFT COSTING LESS THAN $500m TO DEVELOP WILL ENTER SERVICE IN 2002

Airbus 100-seater to rival Boeing

By Michael Skapinker

Airbus Industrie, the European consortium, yesterday said it would enter the market for 100-seat regional jets with the creation of a new aircraft, the A318.

The aircraft, which will enter service in 2002, will compete against the Boeing 717 and smaller versions of the 737. Noel Forgeard, Airbus chief executive, said at the Farnborough Air Show that the aircraft, an adaptation of the existing A320 family, would cost less than $500m to develop.

The announcement follows the collapse of plans by Airbus to build a new 100-seater in partnership with Aviation Industries of China (Avic) and Singapore.

Mr Forgeard said all three parties had decided it would be too expensive to develop a completely new aircraft. Adapting an existing aircraft family would be cheaper. Airbus will launch the new aircraft by the end of this year, provided it finds enough customers.

Mr Forgeard said that while this marked the end of Airbus' plans to manufacture a regional jet in Asia, the European consortium had established good relations with the Chinese. Airbus planned to announce a new project in partnership with Avic, but he would not say what this would involve, though it would not be production of a new aircraft.

Harry Stonecipher, Boeing's president, said the 100-seat 717 aircraft flew for the first time last week. The aircraft was originally developed as the MD-95 by McDonnell-Douglas, which Boeing acquired last year.

Boeing has struggled to win customers for the aircraft and has so far taken orders for only 50. Mr Stonecipher said he remained convinced there was a demand for the Boeing 717.

Mr Forgeard said Airbus was pressing ahead with plans to build a 550-seat aircraft, provisionally called the A3XX. Airbus had increased its estimate of the development cost of the aircraft from $8bn to $10bn.

Lex comment, Page 20; Editorial comment, Page 19

Indonesia eases restrictions on foreign investors

By Sander Thoenes in Jakarta

Indonesia has opened 26 industrial sectors to foreign investors and has promised to lift restrictions on investing in banking.

However, both liberalisation moves contain elements that could discourage a badly needed influx of funds.

Such restrictions would breach an agreement with the International Monetary Fund to lift all restrictions on foreign investment in both retail and wholesale banks.

Indonesia's finance ministry, Bambang Subianto, told parliament that a draft law would allow foreign investors to buy local banks or set up new banks, opening up a sector in which foreigners are limited to a 49 per cent stake. Most of Indonesia's banks are facing liquidity problems or buckling under negative spreads, because of interest rates of up to 70 per cent.

In an apparent effort to encourage foreign banks to bail out locals rather than set up as new competitors, Mr Bambang said foreign banks would need to take a local partner to set up new banks.

He did not explain how large a stake would need to be awarded to local partners, nor did he specify whether foreigners could buy 100 per cent of a local bank.

The government lifted a ban on investment by large industries, domestic or foreign, in sectors that had previously been the preserve of small enterprises. They include farming, fishing, furniture and food, as well as trade, restaurants and retail businesses outside the main cities.

In large cities the retail sector had already been freed up for investors.

Indonesia badly needs a boost in production, processing and distribution of food but a requirement for investors to grant at least 20 per cent of their local venture to small enterprises would discourage most big companies.

It would mean that a food processing company or a fast-food chain would need to find dozens of small partners to start a business of any relevant size.

An official at the Investment Co-ordinating Agency confirmed that such restrictions would be in place but said they would not apply to investments in big cities.

Former President Suharto had tried, often in vain, to protect small village industries from competition by conglomerates, most of which are owned by ethnic Chinese who had been banned from living in rural areas since the rule of Indonesia's first president, Sukarno.

The IMF had pushed for such restrictions to be lifted but appears to have eased up on Indonesia in recent months.

In line with the World Bank and bilateral donors, the Fund has in recent months shown more concern with the risk of famine and political instability in Indonesia than with details of economic reforms.

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

	UNITED STATES					JAPAN					GERMANY				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1987	105.8	100.7	103.9	98.4	76.1	101.3	92.5	103.1	100.0	122.9	100.1	95.0	107.0	107.1	110.9
1988	109.9	103.2	106.8	100.2	71.0	102.3	92.3	107.8	96.0	131.0	101.4	96.2	110.0	106.9	109.9
1989	115.2	108.5	109.9	101.9	74.9	105.1	94.2	114.0	96.8	123.5	104.2	99.3	112.9	108.0	107.5
1990	121.5	113.9	113.5	104.9	73.2	108.3	95.7	120.1	99.7	108.2	107.0	101.0	117.9	110.9	109.9
1991	126.6	116.3	117.3	108.4	74.1	111.9	96.8	124.2	103.9	113.2	110.9	103.4	125.3	109.6	107.5
1992	130.4	117.7	120.1	108.4	74.0	114.0	95.9	125.6	112.8	114.5	116.5	104.9	139.1	115.3	110.0
1993	134.3	119.2	123.1	108.6	76.4	115.4	94.3	125.8	116.8	131.9	121.7	105.1	148.2	119.4	111.3
1994	137.8	119.9	126.5	107.9	74.1	116.2	92.6	128.4	118.5	137.3	125.1	105.7	152.5	112.1	109.8
1995	141.7	122.2	129.7	105.7	68.7	115.9	92.0	132.5	115.8	138.3	127.4	107.5	159.1	110.8	114.7
1996	145.8	125.4	133.9	104.8	73.4	115.8	90.4	135.8	113.2	117.7	129.3	107.1	163.0	109.7	109.9
1997	149.2	125.9	138.1	103.7	79.1	117.4	91.0	139.7	110.0	111.5	131.5	108.2	165.0	103.1	104.7
3rd qtr.1997	2.2	−0.1	2.6	−0.2	79.4	1.7	1.3	2.7	−2.5	115.9	1.9	1.4	1.2	−6.1	103.4
4th qtr.1997	1.9	−0.7	3.3	0.7	80.2	2.1	1.1	1.6	7.8	108.1	1.8	1.1	1.0	−6.1	104.2
1st qtr.1998	1.5	−1.7	3.0	1.4	82.0	2.1	0.5	0.0	3.8	107.0	1.2	0.6	1.2	−5.9	104.0
2nd qtr.1998	1.6	−1.0	2.8	1.2	83.2	0.6	−1.9	−1.0		100.9	1.3	0.1	1.6		104.6
September	2.1	0.0	2.7	0.0	79.9	2.2	1.4	1.5	−3.2	112.8	1.9	1.4	1.2	−5.1	103.6
October	2.1	−0.3	3.5	0.4	79.4	2.4	1.3	1.5	−0.2	111.6	1.8	1.2	1.2	−7.1	104.1
November	1.8	−0.7	3.4	0.7	79.7	2.0	1.1	1.8	3.9	107.4	1.9	1.2	0.7	−5.1	104.3
December	1.7	−1.2	3.1	0.8	81.6	1.8	0.9	1.5	1.5	105.3	1.8	1.1	1.2	−6.2	104.2
January 1998	1.6	−1.7	2.8	0.8	82.4	2.0	0.9	−0.4	3.4	106.5	1.3	0.7	1.2	−5.2	104.4
February	1.4	−1.5	3.1	1.9	81.6	2.0	0.4	0.2	3.4	108.5	1.1	0.7	1.2	−6.2	104.0
March	1.4	−1.8	3.1	1.5	82.0	2.2	0.1	0.3	4.7	106.2	1.1	0.6	1.2	−6.3	103.5
April	1.4	−1.2	2.9	0.9	82.4	0.7	−2.0	−0.2	6.1	103.9	1.4	0.3	1.6	−4.2	103.8
May	1.7	−0.9	2.9	0.8	82.9	0.6	−1.9	−0.1	11.0	101.0	1.3	0.1	1.6		105.1
June	1.7	−0.8	2.6	1.7	84.5	0.4	−1.9	−1.9		97.8	1.2	−0.1	1.6		104.9
July	1.7	−0.3		2.1	84.9	0.0				97.7	0.9	−0.4			105.1
August						0.0									

	FRANCE					ITALY					UNITED KINGDOM				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1987	105.9	99.0	107.8	103.0	104.7	111.0	102.2	111.6	107.5	102.1	107.7	104.9	116.3	106.2	94.6
1988	108.8	103.5	111.5	104.1	102.1	116.5	105.7	118.4	108.5	100.9	113.0	108.7	126.2	108.8	101.9
1989	112.6	108.7	115.6	105.2	99.7	124.2	112.0	125.6	113.6	105.1	121.8	113.9	137.2	114.0	100.5
1990	116.5	107.7	121.5	109.6	102.9	131.7	116.2	134.7	122.6	111.9	133.3	121.0	150.1	121.6	101.4
1991	120.2	106.4	127.1	113.4	100.7	140.3	120.0	147.9	134.2	113.1	141.2	127.5	162.4	127.9	104.4
1992	123.1	105.3	132.3	115.6	104.2	147.7	122.3	155.9	138.8	109.5	146.4	131.5	173.1	128.4	100.9
1993	125.6	103.0	135.6	116.1	108.6	153.9	126.9	161.6	145.6	95.2	148.7	136.7	180.9	127.9	93.1
1994	127.7	104.2	138.2		106.1	160.0	131.6	167.0	139.9	93.3	152.4	140.1	189.5	127.9	94.1
1995	130.0	109.5	141.5		106.1	168.5	142.0	172.2	138.8	90.3	157.6	146.0	198.0	132.6	90.7
1996	132.6	108.7	144.9		106.2	175.0	144.7	175.3	146.6	101.9	161.5	149.8	206.8	139.8	93.7
1997	134.2	106.1	149.0		102.1	178.2	146.6	181.6	148.7	102.7	168.5	151.5	215.8	144.4	109.4
3rd qtr.1997	1.3	0.3	2.8	n.a.	100.3	1.5	1.7	3.4	0.2	101.8	3.5	1.3	4.1	2.8	111.7
4th qtr.1997	1.2	0.7	2.8	n.a.	102.1	1.6	1.5	3.3	−0.7	102.7	3.7	1.0	4.6	3.9	112.1
1st qtr.1998	0.7	0.6	2.6	n.a.	100.7	1.7	1.1	2.1		102.3	3.4	0.8	5.3	5.9	114.3
2nd qtr.1998	1.0	−0.3	2.4	n.a.	101.7	1.8	0.8			103.2	4.0	0.9	5.1	5.6	109.3
September	1.3	n.a.	n.a.	n.a.	101.3	1.4	1.8	3.4	n.a.	102.1	3.6	1.2	4.0	2.8	108.9
October	1.1	n.a.	n.a.	n.a.	101.9	1.6	1.6	3.4	n.a.	102.5	3.7	1.1	4.8	3.7	109.8
November	1.3	n.a.	n.a.	n.a.	102.3	1.6	1.6	3.4	n.a.	103.0	3.7	0.9	4.9	3.9	112.9
December	1.1	n.a.	n.a.	n.a.	102.1	1.5	1.4	3.2	n.a.	102.6	3.6	1.0	4.5	4.0	113.6
January 1998	0.5	n.a.	n.a.	n.a.	100.2	1.6	1.2	1.6	n.a.	102.8	3.3	0.8	4.6	5.0	113.9
February	0.7	n.a.	n.a.	n.a.	101.0	1.8	1.3	1.7	n.a.	102.1	3.4	0.7	5.0	6.0	113.5
March	0.8	n.a.	n.a.	n.a.	101.1	1.7	0.9	2.8	n.a.	102.2	3.5	1.0	6.4	6.8	116.3
April	1.0	n.a.	n.a.	n.a.	101.4	1.8	0.9	3.1	n.a.	102.3	4.0	0.9	5.7	6.6	115.5
May	1.0	n.a.	n.a.	n.a.	102.1	1.7	0.6		n.a.	103.6	4.2	0.8	5.0	5.5	111.6
June	1.0	n.a.	n.a.	n.a.	101.2	1.8	0.4		n.a.	103.9	3.7	1.0	4.7	4.7	113.7
July	0.8	n.a.	n.a.	n.a.	101.4	1.8	0.3		n.a.	104.0	3.5	0.8			113.4
August															

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: JP Morgan real effective exchange rate index versus 18 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

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US cruise missile attack may have upset a shift at heart of Sudan's government

The bombardment has played into hands of hardliners keen to use it as a weapon against Washington, says **Mark Huband**

The expected benefits of a political shift at the heart of Sudan's Islamist government may have been shattered by the impact of last month's US missile attack on the capital.

The cruise missile attack on August 20 on a Khartoum pharmaceutical factory alleged by the US to be producing precursors for chemical weapons happened at a critical point in the shift in Sudan's political direction.

By using as a pretext for the attack Sudan's alleged support for terrorism, the US resurrected accusations which many observers recognise as no longer accurate.

The apparent paucity of US evidence proving the function of the factory has played into the hands of hardliners keen to use the attack as a weapon against US policy, at a time when many Sudanese regard closer US ties with the government as both possible and essential if Sudan is to solve its humanitarian and political crises.

Since a presidential and parliamentary election in 1996, Sudan has witnessed the slow eclipse of the political influence of Hassan al-Tourabi, its Islamist leader, and an increase in the power of Omar Hassan al-Bashir, Sudan's president.

This shift within the Islamist-military coalition which seized power in a 1989 coup has brought with it a new multi-party constitution and a peace agreement with some faction leaders in the war-ravaged south.

"The US is essential. I don't think the US has seen that the overthrow of the government isn't the solution. It would bring chaos," said Riek Machar, the southern faction leader who signed a peace agreement last year with Khartoum.

A wide variety of opinion in Khartoum is agreed that the time has never been better to find a solution to the civil war raging in stages since 1956, leaving 1.5m people dead since 1981. Most regard the war as the cause of the political extremism and instability afflicting the country since independence.

The consolidation of Mr Bashir's power has emerged from a series of policy clashes with Mr al-Tourabi, a lawyer who heads Sudan's National Islamic Front (NIF) or Islamic Movement.

"Tourabi had great influence in the early years. He was practically the only voice. But he has used up his political capital," said Osman Khalid Mudawi, a co-founder of the NIF.

"Over the years, he has antagonised his political base. I see Dr Tourabi as [now] having very little influence on the decisions of government. There have been conflicts between Tourabi and Bashir.

"They have been on non-speaking terms several times. Bashir complained that Tourabi interfered too much in the practice of government, regarding Tourabi as a member of the legislature who was behaving like a member of the executive."

Mr Tourabi has channelled his vision of an Islamic society into the National Congress, a political party to which most ministers now belong and which he leads as secretary-general.

Despite its elite membership, the Congress is not regarded as holding the reins of power, owing to pressure from politicians now grouped round Mr Bashir who are determined to reverse Sudan's fortunes.

"Sudan is trapped. The agenda is centred on a survival strategy, not long-term policy," said Hassan Maki Muhammed, a leading member of the National Congress, and an academic at Khartoum's International University of Africa.

"For the past six years, this government has just passed from crisis to crisis, from pressure to pressure, from test to test. These people in government, after 10 years, have discovered that the survival of Sudan depends on changing its policies.

"Tourabi is fed up and has started to withdraw. He has many problems from the government, from insiders and outsiders. He himself talks about the failure. He has the courage to admit it.

"The war in the south is the main cause of the change in the government's direction. We are heading towards a collective leadership in Sudan. Dr Tourabi's role will not be diminished because of a struggle for power but because his time is over and there is a new generation coming."

Despite his membership of the National Congress, Mr Maki distances himself from the architect of Sudan's Islamist policies. "I don't have to mean much myself personally. If religious values are spreading, I don't have to be in government," said Mr al-Tourabi. "That's why I supported Omar Bashir" in the 1989 coup.

"Islam can't come to power except by force, because the west won't allow it. Now, western Europe is gradually returning to Sudan. They have a stake with us and they will try to normalise relations."

Dominating policies now is a determination to move to a pragmatic engagement with the outside world, much as Sudan's ally Iran has attempted since the election last year of President Mohammad Khatami. Among the new generation of politicians, the urgent need to address Sudan's domestic crises rather than assert a leading religious role within the Islamic world dominates the agenda.

"I still say the government is Islamist. But applying this by war is untenable," said Mr Machar. "War is a bad instrument for achieving ideological ends. The government has come to accept this. And they know Islam isn't threatened by the south."

The main southern faction leader, John Garang of the Sudan Peoples' Liberation Army (SPLA), has yet to accept last year's peace agreement. Without the SPLA, the agreement is unlikely to succeed. Even so, it meets many of the SPLA's demands, including self-determination for the south and its full independence if southerners vote for it.

"The southern problem has been cracked with the signing of the peace agreement," said Mr Machar.

"Now, if the Americans changed their policy of opposition to the Sudanese government" and encouraged acceptance of the peace agreement by the SPLA's Ugandan backers, "the SPLA would have no choice but to come to terms with the government. And with peace in Sudan there would be peace in Uganda and the entire Nile Basin."

With Sudan now closer than ever to reaching the domestic political turning-point essential for solutions to be found, the US decision to bomb Khartoum appears to have shattered the slowly evolving move towards compromise between Sudan's warring sides.

With at least 250,000 southern Sudanese faced with famine caused by the war, the need for a creative US role has never been greater.

Sudanese Speaker Hassan al-Tourabi (right), congratulates President Omar al-Bashir Picture: AP

Netanyahu remarks irk military ally

By Judy Dempsey in Jerusalem

Turkey is angry with Israel over remarks made by Benjamin Netanyahu, Israeli prime minister, in which he said the central defence axis between the two countries was the basis for forming "a regional framework".

Turkish officials said the remarks caught Ankara off guard since Israel for the first time stated publicly what is known privately – that it wanted to establish a strategic/military alliance. This could shift the balance of power in the Middle East and alienate Turkey from its Arab neighbours.

"We told the Israelis we were very angry over the way in which Netanyahu presented the relationship," a diplomat said.

The remarks, at a conference in Tel Aviv last week, were made ahead of an official visit by Mesut Yilmaz, the Turkish prime minister. He arrived in Israel yesterday after talks in Jordan and is due to meet Yassir Arafat, president of the Palestinian Authority, today.

But they also hit a raw nerve in Turkey which insists that the growing military ties with Israel pose no threat to any country.

Mr Netanyahu yesterday played down his comments, saying the closer military and economic ties with Ankara were directed at "no third party" although Iran and Syria have openly criticised the relationship.

Turkey and Israel have been drawn to each other militarily, partly out of necessity. Several European Union countries have ended arms sales to Turkey because of its human rights record and treatment of the Kurds. As a result, Ankara has started expanding its own arms industry while looking to Israel for sophisticated military technology since Israel does not attach any human rights conditions to its weapons sales.

Mr Yilmaz told Jordanian officials the military relationship with Israel was not exclusive. "Ankara wants to have closer ties with Jordan both in the military and economic fields," a Turkish official said. "It is in our interests not to make the relationship with Israel seem exclusive."

Avi Machlis adds: The Histadrut, Israel's trade union federation, yesterday called off a general strike that paralysed the public sector for three days, after reaching agreement with the finance ministry over wage negotiations.

Both sides declared victory, even though according to the agreement, most disputed issues were pushed off to a new round of talks.

Histadrut had demanded an 8 per cent pay rise for public sector workers.

Russia crisis mixed blessing for Tel Aviv, Page 40

Nigerian ruler pledges reforms

By William Wallis in Abuja

Abdulsalami Abubakar, Nigeria's military ruler, yesterday reaffirmed his determination to end the country's pariah status, promising to speed up economic reforms, fight corruption, and reorganise the petroleum sector under the guidance of a special commission.

He also released the draft constitution for the next civilian government which Sani Abacha, his late predecessor, had kept under wraps.

The 201-page document, the result of a constitutional conference held in 1995, contains detailed guidelines for the way Nigeria would be ruled after an elected civilian government is in place.

"All comments and views arising from the public will be presented to the Provisional Ruling Council for consideration prior to promulgation," Gen Abubakar told a news conference in the capital Abuja.

Gen Abubakar, who has personal control of the petroleum ministry, was speaking in his first meeting with the press in which he discussed a broad range of issues since assuming office last June.

He said an independent *commission was being set* up to regulate and monitor the petroleum sector and reduce the powers of state-owned Nigerian National Petroleum Corporation, which provides more than 90 per cent of export earnings, and opportunities for rampant graft.

The general called on creditors to reward his government's efforts with much needed relief on repayment of the country's estimated $34bn external debt.

"We also invite international investment banks, commercial banks, export credit agencies, and management consultants to work with us in our liberalisation of markets, deregulation and privatisation," he said.

An end to the dual exchange rate system, of which the military has traditionally been the main beneficiary, would also be looked into, he added.

Confident and relaxed, the general's demeanour contrasted sharply to the bunker mentality of Gen Abacha, who rarely left the heavily fortified presidential compound in Abuja and seldom met the press.

He said an inquiry was under way into state funds embezzled by the former regime.

Bill Gates at the conference yesterday: 'The network computer is pretty discredited' Reuters

Gates declares victory in network computer battle

By Paul Taylor in Paris

Bill Gates, Microsoft's chief executive, yesterday declared victory in his battle against the network computer, declaring that his clash with the NC's supporters was "fun" while it lasted. He was insistent, however, that as a concept the NC had been discredited.

Mr Gates was speaking in Paris to an audience of industry executives attending International Data Corporation's annual information technology conference.

This is the same venue where he clashed in public with Larry Ellison, Oracle's chief executive, three years ago when Mr Ellison first proposed the concept of a low-cost network computing device as an alternative to the personal computer.

"One of the great pronouncements was how the network computer would completely replace the PC model," Mr Gates said. "Larry Ellison made some very specific forecasts and I was put in the unfortunate position of essentially defending the status quo." Since then he noted, PC prices had tumbled and software had become more sophisticated but easier to use.

'There are not as many IT professionals as the marketplace will require'

It had been interesting to see how the NC concept had progressed over the last three years. The showcase NC customers had all come back to the mainstream PC system, "taking advantage of the tools and the richness that is available in the high volume [PC] platform."

Mr Gates also seized the opportunity to play down the success of Java, the programming language developed by Sun Microsystems, and promoted by a number of Microsoft's rivals including Sun, Netscape, Oracle and International Business Machines.

"Certainly the network computer is pretty discredited," he said; "but the same people who came up with that concept have more ideas of the same ilk.

"For example, that people are going to rewrite every software application in a single language. To me that seems pretty mythical, but we will have to see."

Microsoft's role was to provide low cost high volume building blocks that allowed companies to build what the Microsoft leader termed "digital nervous systems" – the paths which enable information to flow through an organisation and be shared by its employees.

Looking ahead, the opportunity for electronic commerce in Europe was "pretty exciting". "The move towards the euro is a very important step that has been well organised, the economies are coming up, the recognition that the investment needs to be made is definitely here," he said.

"If there is anything holding it back it is the skill shortage. Even more than in the US there is not as many IT professionals as the marketplace will require.

"It's an exciting time in the world of digital technology because digital technology is revolutionising the way people do business.

"This isn't something that will happen overnight, but the trends are clear and the opportunity for the people who provide the building blocks has never been greater," Mr Gates said.

Mexico braced for economic downturn

By Lucy Conger in Mexico City

Mexico's 25 leading economic analysts are expecting a marked deterioration in the country's economy in the short term, including higher inflation, a weaker peso and higher interest rates.

The August survey of private-sector analysts conducted by the Bank of Mexico, the country's central bank, forecast annual inflation reaching 16.15 per cent (the forecast in July was for 14.61 per cent), a peso rate at the end of the year of 9.81 to the dollar (9.25 in July) and an interest rate of 25.43 per cent on 28-day Treasury bills known as Cetes at year-end (18.51 per cent in July).

The analysts' forecast for growth in gross domestic product has slipped to 4.43 per cent for the year, down from the 4.61 per cent projected in the July survey, but analysts foresee no change in the fiscal deficit they expect will total 1.5 per cent of GDP at year-end.

Asked about their expectations for the economy over the next six months, 83 per cent of those surveyed said it will not be favourable; 17 per cent expect favourable developments.

Some 72 per cent of the economists said the economy was worse off now than last year, while 28 per cent said the economy was better than a year ago.

The survey found the four leading factors that could restrict recovery were believed to be international financial stability (31 per cent of replies), inflationary pressures (12 per cent), uncertainty over the foreign exchange rate (9 per cent), and a drop in oil prices (8 per cent).

Peru and Ecuador to hold fresh talks

By James Wilson in Panama City

Alberto Fujimori and Jamil Mahuad, the presidents of Peru and Ecuador, are to hold fresh talks aimed at reaching agreement over a disputed area of their joint border, amid optimism a peace deal can be concluded by the end of the year.

After what was described as a "fruitful" encounter at the Rio Group summit in Panama, the two leaders said they would talk by telephone this week and hold another meeting in Brazil with the co-operation of Fernando Henrique Cardoso, the Brazilian president. Brazil is one of the guarantors of the 1942 treaty between the two countries.

Mr Fujimori said there was "not yet any white smoke" but the "direct diplomacy" between the two leaders was bearing fruit. "We are getting closer. The accord could be at some moment this year," he said.

It was the second time the two presidents have met since Mr Mahuad took office last month and since tension rose over Ecuador troop movements in the disputed area. The main obstacles remain the demarcation of a 78km stretch of the border, and Ecuador's rights to navigation on the area's rivers.

Other commissions had already been set up to discuss mutual security and integration issues. Mr Mahuad said all options had been discussed – including the idea of a bi-national border park – and that it was important to reach a solution to unlock $3bn of funds, including aid, which are earmarked to improve infrastructure in both countries' frontier regions.

Fast action urged on Colombia tax reform

By Adam Thomson in Bogotá

The Colombian government has sent an urgent message to Congress reminding it of the need to move swiftly on approving a tax reform package considered vital for restoring the country to its former economic health.

Juan Camilo Restrepo, finance minister, said the package would reduce the nation's fiscal deficit – now seen as the main threat to economic stability – to less than 2 per cent of gross domestic product next year.

The deficit for this year is officially estimated at 3.5 per cent of GDP compared with 0.3 per cent four years ago.

While the official deficit is not considered high by international standards, economists say inaccurate calculations in recent years have disguised the true magnitude of the imbalance. Calculated accurately, the deficit could be as high as 4.9 per cent of GDP this year.

A sharp increase in government spending – public spending has increased from 11 per cent of GDP in 1990 to 18 per cent of GDP last year – has attracted the attention of international credit rating agencies, provoking a general move to downgrade Colombia's outlook from stable to negative.

The growing hole in the government's coffers has also been accompanied by a steep rise in financing costs. The average spread on Colombia's sovereign bonds has deteriorated from 150 basis points over US Treasury benchmarks to more than 700 basis points during the last year.

Observers now say that unless swift action is taken, the deficit could threaten the investment-grade rating which Colombia still enjoys.

In addition, quick approval of the tax reform package would also lend greater credibility to the central bank's decision to devalue the peso by 9 per cent last week, making Colombia the first Latin American nation to react to the devaluation in Russia and the fear of a devaluation in neighbouring Venezuela.

Last week, Rudolph Hommes, the former finance minister, reminded the government of the need to back the devaluation with fiscal adjustment.

"Devaluation without adjustment does not produce sustainable effects in the exchange rate," he told a seminar on the economic situation last week.

Although the government has already announced cuts to the 38,500bn peso ($25bn) budget of 875bn pesos this year, the local business community insists that confidence will only be restored if Congress moves quickly on the tax reform package. That is far from clear.

While the government hopes Congress will approve the package by November, fears are that it could take the rest of the year to approve the bills and that the package could be significantly diluted.

One of the chief concerns is the potential opposition to the government's proposal to reduce VAT to 15 per cent from 16 per cent, but to make over 100 new products taxable.

If the government gets its way, domestic air tickets, processed foods, advertising and industrial and business rents, among others, would all be liable for VAT.

A number of Congressmen have already voiced their opposition to the proposal.

Juan Camilo Restrepo: vital to reduce fiscal deficit

But there is less opposition to other points of the package which include a crackdown on contraband, and a tax reform under which local governments would be able to put a surcharge on petrol.

The government also intends to raise 1,200bn pesos via obligatory "peace" bonds to finance the country's fledgling – and precarious – peace process, aimed at ending over 35 years of armed conflict. Individuals and companies with a liquid net worth exceeding 210m pesos would have to invest in the bonds.

On the web today

- DreamWorks quest for studio is turning into a nightmare
- Top US union leader calls for links with employers
- Venezuela and US closer to tax treaty

http://www.ft.com/americas

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'MAD COW DISEASE' PROFESSOR URGES MORE LIVESTOCK TESTING

BSE 'may have spread to sheep'

Financial Times Reporters in London, Cardiff and Brussels

The UK government is faced with the risk of a new health scare after remarks from a BSE expert yesterday that the disease could be present in sheep.

Professor Geoffrey Almond, chairman of the sheep sub-committee of the Spongiform Encephalopathy Advisory Committee, the BSE watchdog, said: "There is a distinct possibility that BSE [mad cow disease] is out there in the sheep population."

Only nine of Britain's 42m sheep had been tested for BSE, Prof Almond said on BBC Radio. None was infected but the number of tests was far too small to rule out the possibility that BSE had "gone back into sheep from cows".

UK sheep were fed BSE-contaminated meat and bone meal until a ban was imposed in 1988.

Experiments show that sheep fed infected cattle brain can contract BSE but it is not known whether this has occurred naturally. Scrapie, a related disease, has been in sheep for 200 years, apparently without infecting people, but evidence shows that BSE spreads more easily between species.

The European Commission said yesterday it would consider what action to recommend, although it considered the risk to be small. European Union members would be reluctant to back a tightening of food policy, it said, unless there were proof of risk to humans.

Franz Fischler, EU farms commissioner, recommended two years ago that potentially infectious parts of sheep be banned from the food chain but his advice was rejected by member states.

Prof Almond urged the UK government to step up its research into sheep. The agriculture ministry said tests were expensive and time-consuming and it was hard to distinguish BSE from scrapie.

Lord Sainsbury, science minister, said the government would support more research.

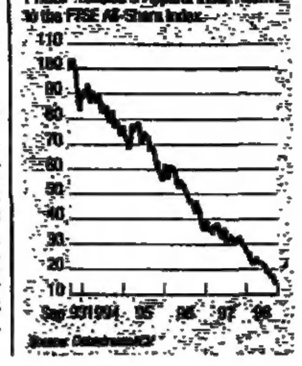
Sir Kenneth Calman, the government's chief medical officer, said "there was no new evidence and no grounds at this stage for thinking that the likelihood of BSE in sheep is any greater".

Farming unions in Wales warned that "scaremongering" could damage a vital agricultural sector. Hugh Richards, chairman of NFU Cymru-Wales, the Welsh section of the National Farmers' Union, said sheep were mostly grazed on grass. It would have already become obvious if BSE were a problem in sheep.

Figures from the health department yesterday show 27 people have died since 1995 from the new variant of Creutzfeld-Jakob disease, which scientists believe is the human form of BSE. They were presumably infected by eating BSE-contaminated beef in the 1980s before controls were introduced.

Rael Brook: the latest victim

UK textiles sector
FT/S&P Textiles & Apparel Index relative to the FTSE All-Share Index



Northern Ireland shirtmakers pressed

The strength of sterling is damaging one of the region's oldest trades and biggest employers. **John Murray Brown** reports

Competition from low cost imports looks set to close another of Northern Ireland's shirt factories. The demise of the Rael Brook factory in Londonderry will be the latest setback for one of the region's oldest industries, already suffering from the damage to its exports caused by the strength of sterling.

Shirtmaking – on the back of the local linen business – has provided Londonderry's industrial lifeblood since the 1850s. It has been one of the biggest employers and the workforce is predominantly female.

The city, the second-biggest in Northern Ireland, once had 14 shirt factories. The Coates Viyella plant, a dedicated supplier to the Marks and Spencer retail chain, is still open. Graham Hunter, which makes corporate wear such as uniforms for British Airways, has created a small niche market. Desmonds, which also makes exclusively for M & S using quick response manufacturing methods, has a number of factories making a range of clothing items.

"Shirt manufacturing has been central to the economy of Derry for so long and the skills of the workers in the shirt industry should be both maintained and developed," says John Hume, the local MP and leader of the moderate nationalist Social Democratic and Labour party. His mother and sisters worked in the industry.

But most of the old factories along the west bank of the river Foyle have closed in recent years. The picture is repeated elsewhere in Northern Ireland. Porters, the Strabane pyjamas maker, closed this year. There are reports that Fruit of the Loom, the US-owned clothing manufacturer, is also facing job losses.

Robin Eagleson, managing director of the Shirtmakers Guild in Portadown – which makes shirts for retailers in London's upmarket Jermyn Street, believes one way to survive is to move into higher value-added production. But even here the export market has been badly hit by the appreciation of sterling. Mr Eagleson calculates that his German customers are paying 28 per cent more for their shirts than two years ago – while prices have remained the same.

One shirtmaker says his German customers are paying 28 per cent more for shirts than two years ago

Fears for job losses in Northern Ireland are shared by textiles companies in mainland Britain. The past few weeks have seen a string of poor results and profits warnings from London Stock Exchange-listed companies, including Allied Textiles, John Haggas, Dawson International, Claremont Garments and Robert H Lowe. They have cited sterling strength and fierce competition from Asian rivals as significant factors.

In July, the British Clothing Industry Association wrote to Tony Blair, the prime minister, warning that the situation in the UK industry was "the worst in living memory". John Wilson, a director at the BCIA familiar with Northern Ireland, says companies are being squeezed at both ends – domestic production by low cost imports and exports by the high level of sterling.

He says retailers are also being forced to look to overseas suppliers to protect their margins.

The industry faces another challenge with the Labour government's planned introduction of a minimum wage. A report by the Northern Ireland Economic Council, a think tank set up to advise ministers, said the industry was particularly vulnerable to higher wage costs. A third of textile, leather and clothing industry companies in the region pay less than £4 ($6.60) an hour.

With profitability currently at levels similar to those in mainland UK companies, any increase in wage costs could affect competitiveness.

The BCIA has calculated that at a level of £4 an hour, its members would face a 5.5 per cent increase in labour costs – just as the government is exalting the industry to contain wages and increase productivity.

Dewhirst interims, Page 26

UK 'leads world in cutting smoking deaths'

By Clive Cookson, Science Editor

The UK leads the world in cutting deaths from smoking, the British Association's annual science conference heard yesterday.

Richard Peto, professor of medical statistics at Oxford University, presented a new analysis of premature deaths worldwide at the meeting in Cardiff, the Welsh capital. The study shows that the number of people dying in middle age (aged 35 to 69) from tobacco-related diseases has fallen from 80,000 to 40,000 over the past 25 years.

"In 1970, British men had the worst death rates in the world from tobacco but half the adults have stopped smoking since then and Britain has had the world's biggest decrease in tobacco deaths," Prof Peto said.

Of a group of 100 35-year-old men in 1970, 42 could expect to die before the age of 69 – and 19 of those deaths would be due to tobacco. In a similar group today, 28 will die before the age of 69 and smoking will cause only nine deaths.

Worldwide, however, the death rate from smoking continues to rise sharply. "Indeed, the only two causes of death that are big and rising fast are HIV and tobacco," Prof Peto said.

Smoking continues to become more popular in developing countries. Prof Peto estimated that deaths caused by smoking worldwide would increase from 4m this year to 10m in 2030.

Leader of opposition polls party members over euro

By David Wighton, Political Correspondent

William Hague, leader of the opposition Conservative party, yesterday brought forward a poll of party members over the euro in an effort to avoid a dispute at next month's party conference.

He said he expected the result, to be announced on the eve of the conference on October 6, would strongly back the leadership.

The ballot paper will ask members whether they endorse the "policy of the party leader and the shadow cabinet" which is to "oppose British membership of the single currency at the next election".

The move follows indications that the party's euro-enthusiasts, led by Michael Heseltine, the former deputy prime minister, would renew their campaign to change the policy in speeches on the conference fringe.

Mr Hague said the ballot, originally scheduled for after the conference, would decide the issue and allow the party to concentrate on fighting the government.

But Kenneth Clarke, the former chancellor of the exchequer and leading critic of the leadership's position, said the ballot would achieve little. "I would expect any leader of the Conservative party to obtain a good majority in an appeal which will be treated as a request for personal backing." Mr Clarke was beaten by Mr Hague in the party's leadership contest last year.

UK truck registrations: August 1998

	Aug 1998			Aug 1997	Jan-Aug 1998			Jan-Aug 1997
	Volume	% chg	% share	% share	Volume	% chg	% share	% share
Total	8,480	6.8	100.0	100.0	34,584	21.1	100.0	100.0
Imports	[illegible]	25.8	74.0	69.5	24,404	28.3	70.7	68.0
Leyland Daf (Paccar*)	[illegible]	32.2	21.3	17.4	7,140	28.3	20.7	19.8
Iveco Group*** (Fiat)	1,277	10.7	19.7	21.1	6,731	11.2	19.5	21.2
Mercedes-Benz (Daimler Benz)	1,092	8.1	16.4	15.4	5,455	23.2	15.8	16.5
Volvo	782	0.3	11.8	12.5	4,217	25.9	12.2	11.8
Scania (Investor)	714	-8.0	11.0	13.1	3,629	10.6	10.5	11.5
MAN	523	-4.0	8.1	9.1	2,814	20.9	8.2	8.2
ERF	281	-4.1	4.3	4.9	1,740	24.5	5.1	4.9
Renault	228	11.8	3.5	3.4	1,383	40.7	4.0	3.5

Names in brackets indicate ownership ** Paccar also owns Foden *** Includes Iveco, Ford and Seddon Atkinson
Source: Society of Motor Manufacturers and Traders; industry estimates

Van sales suggest waning confidence

Registrations of new commercial vehicles increased by 1.8 per cent to 44,549 year on year last month as buoyant sales of panel vans and trucks compensated for weakening demand for lighter car-derived vehicles, **Haig Simonian writes.** The 12 per cent drop in registrations of vans weighing less than 1.8 tonnes reinforces suggestions that business confidence is waning – such vehicles are bought traditionally by private traders. The August figures took overall registrations of commercial vehicles to 203,246 in the first eight months of the year, 9.8 per cent more than in the same period last year.

Registrations of medium-weight vans climbed by 10.8 per cent to 23,178 last month, while those of trucks weighing more than 3.5 tonnes rose by 8 per cent to 6,489.

Jürgen Knorpp, head of the UK subsidiary of MAN, the German truckmaker, said the company's short and medium-term forecasts had been revised downwards in expectation of lower demand next year. "In 1999 we expect the market to slow down to 42,000 units [from 47,000 this year], remaining at this lower level until the second half of 2000, when the market will begin to recover," he said.

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INSTITUTIONAL INVESTMENT MERRILL LYNCH POLL FINDS PURCHASING CO-EXISTS WITH ECONOMIC GLOOM

Funds 'return to UK shares'

By Jane Martinson, Investment Correspondent

Fund managers are buying UK shares in spite of forecasting further economic decline, according to a survey of managers with assets totalling £1,322bn ($2,154bn).

The poll of UK fund managers carried out by Merrill Lynch, the US investment bank, and Gallup, the market researchers, found that UK shares were seen as a defensive bet following recent market turmoil around the world.

A majority of the 63 institutional investment houses in the survey believed last month's decline had made the FTSE All Share look cheap for the first time since February.

Buyers outnumbered sellers of UK equities by 13 percentage points, a sharp reversal from August's poll when there were more sellers than at any time over the past 12 months.

Perversely, such buying interest comes at the same time as increased pessimism about the economic outlook. Only 3 per cent of the fund managers questioned expected an upturn in growth.

Trevor Greetham, global strategist at Merrill Lynch, explained the apparent contradiction as a reflection of the fact that active managers had been pessimistic about the UK for so long. "This sell-off is all about bringing high profit hopes down to earth," he said. "Economic expectations in the UK were already at rock bottom."

The UK market outperformed mainland Europe and the rest of the world in the past month during the Russian economic crisis. There were signs that mainland European managers also continued to be bullish on shares in spite of adjusting economic forecasts downward.

Fears about inflation had all but disappeared in the survey, carried out at the beginning of September. Just 5 per cent of those surveyed expected inflation to rise while nobody expected interest rates to be higher in a year.

UK fund managers were also more pessimistic about profits. The average forecast for earnings per share in 1999 was 4.5 per cent, down from 5 per cent in August.

Merrill also published a report from its equity and bond teams yesterday which advised institutional clients to continue to buy bonds because of signs of an economic slowdown in Europe and the US.

However, Merrill has warned clients to wait for shares to rise before replacing them with bonds as bond prices had already risen sharply this year. The report points out that global equities have already underperformed bonds by 21 percentage points since mid July. In the 1987 crash they underperformed by 27 percentage points.

London stocks, Page 36

Liability row sees accountant take sides with banks

By Jim Kelly, Accountancy Correspondent

Robson Rhodes, the leading middle-tier accountancy firm, yesterday sided with the UK's leading investment banks in their dispute with the "Big Five" accountants over the allocation of risk in mergers and acquisitions.

The Big Five are KPMG, PricewaterhouseCoopers, Deloitte & Touche, Ernst & Young and Arthur Andersen.

Chris Connor, managing partner of Robson Rhodes, said it was understandable that the banks – represented by the London Investment Banking Association – should want clear and unqualified assurance from accountancy firms in M & A deals. "We believe that if the terms of engagement are clear, then providing a robust opinion which is not couched in caveats or liability limits is a perfectly acceptable request for investment banks to require of us," he said.

LIBA wrote to the Office of Fair Trading last week complaining that the Big Five were working together to cut their liabilities for "due diligence" work.

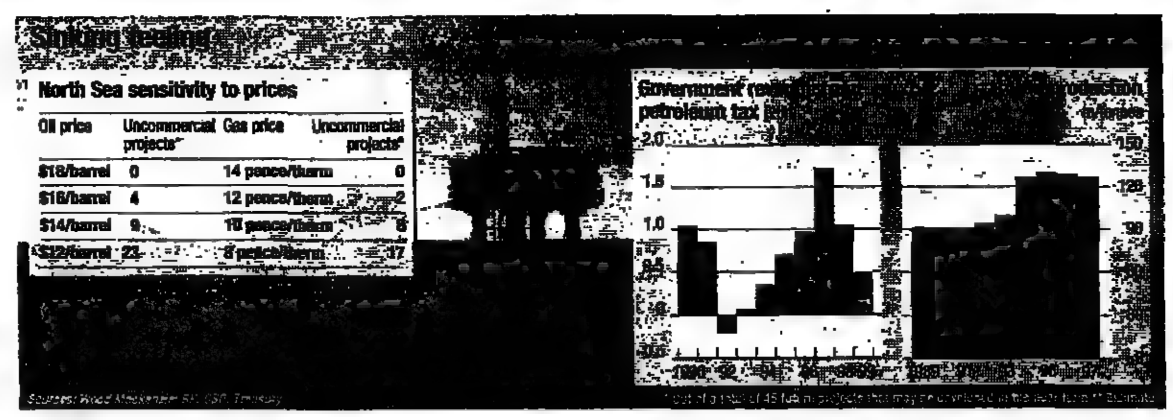
The firms have traditionally done such work with unlimited liability – opening themselves to big claims if the deals fail – but the Big Five has been working to introduce restrictions.

Mr O'Connor said accountants were paid to give robust opinions and they should give them – adding that "at the same time those demanding robust opinions must be prepared to pay a realistic rate for them".

The move by Robson Rhodes – which had fee income of around £44m ($72m) in the year to April 1998 - will be seen as another example of middle-tier firms stepping in to pick up work from clients frustrated with the Big Five's campaign.

Proposal to raise oil tax looks dead in the water

Scottish politics may have played part in plan being ditched, says **Robert Corzine**



Oil price	Uncommercial projects*	Gas price	Uncommercial projects*
$18/barrel	0	14 pence/therm	0
$16/barrel	4	12 pence/therm	2
$14/barrel	9	10 pence/therm	8
$12/barrel	23	8 pence/therm	17

The UK government's decision to abandon its plan to raise taxes on offshore oil and natural gas producers should mark the end of one of the more uncertain periods in the history of the North Sea.

Yesterday's statement attributed the policy reversal to low oil prices and appeared to leave open the possibility that the tax initiative might be resurrected should crude prices recover. "I have concluded that at the current low level of oil prices it would not be right at this stage to proceed with reform of the regime," said Gordon Brown, the chancellor of the exchequer.

That fell well short of the explicit guarantee of tax stability that some in the industry have recently been urging. But the unofficial message was that the government's plan to raise offshore taxes was well and truly dead.

That was also the view of one of the biggest North Sea producers. "The whole thing has been kicked into touch," it said.

Critics say the government's offshore tax review was a case study in how not to conduct such inquiries.

Few in the industry were surprised when it announced the review in the summer of 1997. Oil prices in 1996 were buoyant.

Brent Blend, the North Sea benchmark, averaged more more than $21 a barrel and last year's average of about $19.30 a barrel was at the top of the $15-$20 range in which oil has traded for most of the past 10 years.

The UK's offshore tax regime was also widely viewed as one of the most favourable for international oil investors.

But if companies were not surprised by the review, they were concerned about its extended timetable. Executives said they needed early clarification on taxes in order to decide whether to develop the smaller, economically marginal fields which are left in the North Sea.

'The economic gloom that settled over the North Sea was as palpable as its summer mists'

Mr Brown promised to announce details of the new regime in last March's Budget. But he proposed yet another lengthy consultation period after finding that the present system failed to ensure a fair level of revenues to the government.

The uncertainty was exacerbated by collapsing global oil prices, which soon plunged to 10-year lows.

The economic gloom that settled over the North Sea was as palpable as its summer mists. Exploration drilling this year has halved, while companies delayed projects because of fiscal concerns. The uncertainty over tax rates also threatened to undermine industry interest in the forthcoming 18th licensing round of offshore exploration acreage.

But many believe it was the Scottish political dimension that finally convinced ministers to kill off what some officials increasingly saw as an ill-fated initiative.

Industry studies showed that 400,000 jobs across the country could be at risk from a harsher North Sea tax regime. But it was the potential political impact in Scotland – where the government feels threatened by a resurgent Scottish National party – that clearly worried the Labour party's election strategists.

Oil is a big issue for the SNP, which claims that an independent Scotland would gain more benefits from the North Sea. Labour strategists feared that a tax rise from London could play into the hands of the SNP if it was seen to threaten Scottish jobs.

NEWS DIGEST

FINANCIAL SERVICES

Draft proposals for new City regulator published

Eight principles, published yesterday for consultation, will allow the Financial Services Authority, the new integrated regulator for the City of London, to fine companies for failing to act with integrity. The principles echo the 10 rules published in 1990 by the Securities and Investments Board, the FSA's predecessor. A regulated firm will be required to:

- Conduct its business with integrity.
- Show due skill, care and diligence.
- Organise and control its affairs effectively.
- Conduct and organise its affairs with prudence.
- Observe proper standards of market conduct.
- Pay due regard to the interests of its customers and treat them fairly.
- Keep faith with any customer who is entitled to rely on its judgment.
- Deal with its regulators in an open and co-operative way.

The FSA expects the principles to be relevant to judgments on whether someone is fit and proper to be authorised to work in the financial sector and serve as a basis for disciplinary proceedings. But private individuals will not, according to the proposal, be able to sue a financial firm on the grounds that it has breached the principles. Lawsuits would have to be founded on breaches of more specific rules. **George Graham, London**

ROLLS-ROYCE AND BENTLEY

Prestige marques recover sales

Sales of Rolls-Royce and Bentley cars are recovering after falling steeply on doubts about the manufacturer's future. Rolls-Royce Motor Cars said worldwide sales increased 34 per cent last month to 201, after buyers were reassured about continuity in production of the group's new Rolls-Royce Silver Seraph and Bentley Arnage models. Under a complicated deal agreed in July, BMW will build Rolls-Royces from 2003, while Volkswagen will make the bigger-selling Bentley brand.

Business had proved sluggish as the company became the object of a bid battle between the two German groups, leaving sales in the first eight months of this year at 945 units, 24 per cent less than in the same period last year. **Haig Simonian, London**

VW searches for a truckmaker, Page 21

LUCASVARITY/SUMITOMO VENTURE

Lucas Sei cuts jobs

Lucas Sei Wiring Systems, a South Wales-based vehicle wiring harness maker that is part of a joint venture between LucasVarity, the automotive components group, and Sumitomo of Japan, yesterday blamed job losses on reduced orders from Rover, the UK vehicles group owned by Germany's BMW. The cut of 220 jobs means that the plant is losing about one-fifth of its workforce and has raised union fears about its long-term future. Lucas Sei has plants in the UK and in Poland and was set up as a joint venture around a decade ago. Union fears about the future are based partly on possible transference of more production to lower-cost Poland. **John Griffiths, London**

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For further details please contact Joint Administrative Receivers: Scott Barnes, Simon Morris or Nigel Ruddock, Grant Thornton, Grant Thornton House, Melton Street, London NW1 2EP. Tel: 0171 383 5100 Fax. 0171 383 4077.

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TECHNOLOGY CHEMICAL INDUSTRY

Smaller, cheaper and safer

Jenny Luesby on process intensification, hailed as the key to the industry's survival

Sprawling, sky-scraping production plants, explosions, spills and pollution have all made it hard for the chemicals industry to change its big, bad reputation.

But help is at hand. What if chemical plants were no bigger than a large table-top, and cheap and safe as well?

Such is the promise of process intensification, according to the British Hydromechanics Research Group.

Using a reactor the size of a ball-point pen, which can produce 10,000 tonnes of chemicals a year, BHR believes it has found a way of making chemicals that is so elegant it is hard to understand why no one thought of it sooner.

BHR has just won this year's excellence in safety and environment award, organised by The Chemical Engineer, the trade publication, and sponsored by Imperial Chemical Industries. Dow Corning of the US and Hickson, the UK company, have set up pilot plants using the BHR reactor. And the European Union and the UK are both backing the technology with public funds.

The pay-off could be huge. Traditionally, the industry's processes have begun in a chemist's flask. To move into manufacturing, producers simply scaled-up the flask and called it a reactor tank. Batches of chemicals were poured in, stirred, then drawn off in their new form.

This type of processing accounts for more than half of the EU's chemical production. Yet it is rife with problems.

For a start, batch processing is highly inefficient. The reactor tank does not line up chemicals neatly one against another, as would be necessary for a swift and even reaction. Instead, a patchy reaction gradually moves around the tank. This is slow and encourages all sorts of secondary reactions, which create waste products.

For bulk chemicals, reactor tanks can produce 5kgs of by-product for every kilogram of intended output. For fine chemicals the ratio of waste to output can be as high as 50 to 1. Not only does this level of waste make it difficult to achieve a high level of chemical purity, but it also draws heavily on producers' raw materials and creates the need to process or dispose of the unwanted by-products.

Tank reactors also use a lot of energy, generating carbon dioxide and thermal pollution. And they are hazardous. There are few ways of controlling the pace of a reaction once the chemicals are in the tank. Heat and pressure can vary wildly and it is hard to cool things down.

In addition, the scale of the equipment generates vast capital costs in civil engineering and pipework, with the industry normally allocating less than 20 per cent of the cost of a chemicals plant to production equipment. The rest goes on infrastructure.

'You could produce 60,000 to 100,000 tonnes a year of a nitrated product in your own garage'

Yet it was not until the early 1980s that Colin Ramshaw, then of ICI and now at Newcastle University, suggested that the gains from a more efficient way of making chemicals would be enormous. His vision of process intensification has since moved centre-stage.

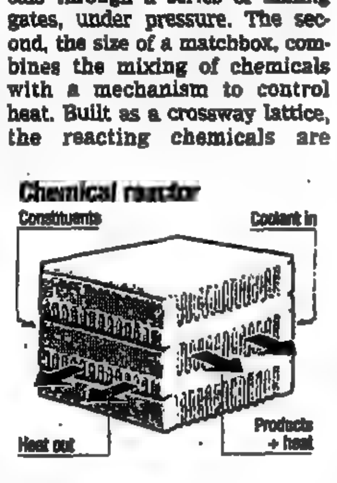
PI has become the industry's "key to survival", according to Joachim Semel, vice-president of R&D at Hoechst, the German chemicals and pharmaceuticals company.

For BHR, set up 50 years ago to provide technical wizardry to pumps producers, it has been a 15-year mission that is only now taking shape as individual pieces of equipment.

At the heart of its miniature chemical plants lie two different types of reactors, both built to sit within a pipe, often as part of an in-line series of reactions.

The simpler of the two, shaped like a pen, simply pushes chemicals through a series of mixing gates, under pressure. The second, the size of a matchbox, combines the mixing of chemicals with a mechanism to control heat. Built as a crossway lattice, the reacting chemicals are pushed through from front to back, while liquids to draw away heat are pumped across from side to side.

Chemical reactor



The energy needed for the process is up to 70 per cent lower than for the equivalent batch processing. With European chemical batch producers responsible for an annual 33m tonnes of carbon dioxide production, this adds up to a substantial potential for environmental gain.

They are also safer. The process can be switched on or off instantly, and if either reactor gets clogged it can be plucked out, like a household battery, and replaced with a clean unit. The chemical reaction is rapid and comprehensive, sharply reducing secondary chemical reactions and thus waste products. It also cuts down on the need for chemical storage by allowing producers to tailor their output to their immediate needs.

But perhaps the most striking difference is the relative size. The BHR reactors can reduce the monster chemical sites of the 20th century to a table-top unit. "You could produce 60,000 to 100,000 tonnes a year of a nitrated product in your own garage," says Christopher Phillips, head of the BHR project.

INDUSTRIAL IMPLICATIONS

High efficiency can be achieved on a tiny scale

Thinking small may be the answer for groups hit by competition from developing countries

Process intensification is not the blue sky of chemicals – that falls to microchip technology, which it is hoped will one day offer up the micro-reactor, *writes Jenny Luesby.*

However, the world's largest chemical companies are aggressively pursuing PI, some in-house, many as sponsors of the British Hydromechanics Research Group – the group is now offering a mobile pilot plant to any company that wants to investigate the possible savings.

The appeal of this intermediate technology is the promise of immediate gain at an especially critical time. A handful of chemical plants worldwide are already operating on a PI basis.

Western chemical companies have historically dominated the industry, but they are now losing ground to rivals in developing countries.

Some of the new entrants have a natural advantage in that they are close to the source of raw materials; but all are benefiting from the efficiency of newer plants.

In some cases, western companies are withdrawing in the face of this competition. Many have incurred substantial balance sheet write-offs, closing down plants in areas such as phosphoric acid, titanium dioxide, fertilisers, or PVC.

Others have invested in new plants, and have built them on a massive scale to try to reap the greatest possible efficiency gains. But this has further damaged chemical markets, by creating sharp jumps in supply, sometimes by as much as 10 per cent of world production.

The beauty of PI is that it allows partial upgrading and high efficiency on a tiny scale.

Within Europe, where 96 per cent of the region's 33,000 chemical companies are small or medium-sized enterprises, this could be instrumental in preventing a permanent and substantial contraction of the industry – as has already happened to the textiles industry.

However, while this reasoning, as much as environmental gains, has driven much of the public funding of the technology, there is an ironic twist.

As BHR's project starts to bear fruit, the very Asian companies that are undercutting and outproducing their European counterparts are now taking up the group's reactors with the most enthusiasm.

NORMA COHEN
THE PROPERTY MARKET

Chanting the mantra of cheap capital

The cost of capital is barely understood, and it may become even more relevant, given the turmoil in world stock markets

In an industry as capital-intensive as property, the logical assumption is that those operating in the business know what their capital costs are at any particular time.

That means not only knowing the blended average cost of debt, but the cost of equity capital as well.

Peter Linneman, a professor at Wharton Business School's Real Estate Centre who is acting as a consultant for Sam Zell, the US property tycoon, outlined the role of cheap capital in a seminal paper reproduced in the Wharton's Real Estate Review last summer. Instead of relying on the mantra "location, location, location", Prof Linneman suggests a new one: "cheap capital, cheap capital, cheap capital".

The cost of capital – which he notes averages 85 per cent of a company's costs – may become even more relevant, given the sharp falls in world stock markets. Prof Linneman notes that consolidation in capital-intensive industries happens most in a capital crunch, when the most inefficient users are snubbed by investors, forcing the low yielders to sell out, often at bargain-basement prices.

It is a message that has yet to be understood in the UK, where some in the property industry marvel at the prices that US proprietors are prepared to pay for assets. For those who are wondering, access to cheap capital may be the answer. But equally, US analysts say, cost of capital – and its relevance to shareholders – is only barely understood in the US.

However, the view that cost of capital matters – and that there is an appropriate mechanism for calculating cost of equity – is slowly gaining currency.

Last week, property analysts at HSBC Securities sent out their property sector review in a research paper which attempts to calculate weighted average cost of capital (WACC), equity and debt, for the largest UK property companies.

According to their calculations, WACC varies widely, from lows of 6.6 per cent at Pillar and 6.7 per cent at British Land and Brixton Estates, to highs of 8.5 per cent at Capital Shopping Centres and 8.3 per cent at Land Securities. The paper also underscores a point made by Prof Linneman: that debt always costs less than equity.

The significance of WACC becomes important with the increasing use by investors of value-based analysis. In a paper last year entitled *The Cost of Capital in Europe*, analysts at Credit Suisse First Boston outlined the rationale for the growing use of this analytical investment approach and the controversies surrounding the calculation of cost of equity capital.

In short, the CSFB analysts explain, investors must select companies they expect to produce rates of return higher than their own costs of capital. Those that do not erode shareholder value.

The adoption of that approach makes it irrelevant whether a company can demonstrate annual increases in net asset value or in pre-tax profits.

What matters is whether earnings – generally before interest, taxation and depreciation – produce a rate of return on shareholder funds greater than the cost of capital. Anything less erodes shareholder value.

"An important input in the cost-of-capital computation is cost of equity, a notion which has been vague in Europe and has caused significant misuses of capital over the past few decades, especially in capital-intensive sectors such as steel, paper, chemicals and cars," the CSFB analysts note.

"In general, conglomerates have also utilised their capital somewhat inefficiently . . . The situation has led European corporates to destroy value for their shareholders. More specifically, the cost of capital and the required return on investment have been systematically underestimated in Europe for years."

'Failure to reach a rate of return in excess of cost of capital destroys shareholder value'

While property is not alone in destroying shareholder value, failure to understand the cost of capital could deter investors from the sector.

The CSFB economists note that understanding cost of capital is not so easy. For one thing, there is a debate about how to measure cost of equity. However, at the heart of most calculations lies a capital asset pricing model (CAPM) which takes into account the available risk-free rate of return – akin to that on government bonds – and the market's general equity risk premium.

The latter is loosely defined as how much higher rates of return need to be to encourage investors to buy shares rather than bonds.

It also includes a "beta", or the volatility of a particular share relative to the market as a whole. Less risky companies have lower betas and thus lower equity capital costs.

Even in the US, where value-based analysis is most advanced, there is little evidence of widespread recognition of cost of capital – and more particularly, cost of equity capital – within the property industry. "It is surprising how few public real estate companies analyse their investment decisions in the context of corporate capital budgeting," real estate investment trust analysts at Lehman Brothers noted in the 1998 annual review.

One reason, they postulate, may be that most REITs are too new to have an accurate beta calculation. But they note pointedly that: "Conceptually, many companies find it difficult to implement investment strategies based on academic tools such as the CAPM . . ."

There are signs that some companies are tackling the issue. James Dundas, finance director at MEPC, a UK company which had been lambasted by shareholders for years for underperformance, says WACC is crucial to any consideration of its future investments.

Before a restructuring of corporate assets and debt late last year, analysts at HSBC calculated that MEPC had internal rates of return that so badly lagged behind its WACC that some £1.2bn ($1.98bn) of shareholders equity had been wiped out in the five years up to the move.

As Mr Dundas puts it: "We have to service all our investors. If we do not produce a rate of return in excess of our cost of capital, then we destroy value for shareholders."

GROWING BUSINESS QIAGEN

Success story that showed the way

Graham Bowley on the biotech start-up that broke the mould of German business

In 1984, Metin Colpan chose to begin the name of his new biotechnology company with the letter Q to avoid trade-mark problems but also to ensure people remembered it.

Fourteen years later, obscurity is no longer a worry for Qiagen, which has become Germany's leading biotech company. Now, the country's business leaders and politicians hope its conspicuous success will become a role model for more young German entrepreneurs.

There are several elements of its story they would like young companies to copy. From a standing start, Qiagen triumphed in a young and dynamic industry.

The company, which produces sophisticated equipment used by other biotech research companies in the extraction of DNA – but no drugs of its own – aggressively sought new capital in Germany and abroad.

Based in a sprawling business park on the outskirts of Düsseldorf, it was a start-up that transformed an academic idea, developed from Mr Colpan's PhD thesis at university in Darmstadt, into an international success.

"At the start we saw technological change can create business opportunities," says Mr Colpan.

The importance of Qiagen's story is that only 15 or 20 years ago its achievements would have been close to impossible in Germany. Given the nation's deep concern for the environment, biotechnology was frowned upon.

In a country where risk-taking is still considered strange, start-ups were not respected. And most importantly, finance was almost out of reach for most small companies.

Qiagen's rise is a sign that Germany is changing. Biotech is more accepted now, partly because of its successes in countries such as the US.

It is also accepted because the painful demise of Germany's traditional industries and the jobs that went with them have made government and the public aware of the urgency of encouraging new industries.

Another difference is that there is a greater respect for entrepreneurs. The typical role model is no longer a career manager in a huge industrial conglomerate. Instead, young people are seeking to emulate risk-takers who strike out on their own.

But the most significant change is that new sources of finance have become available. Qiagen's growth was nourished first by venture capital, which is still unusual for Germany, and then by an initial public offering on a foreign stock exchange – Nasdaq in the US.

Finally, there was a second share listing on the Neuer Markt, Germany's new stock market for high-tech companies.

Venture capital is still a young and undeveloped industry in Germany, but it is growing fast. The potential of young companies such as Qiagen is attracting foreign venture capital finance as well as encouraging home-grown start-up venture capital companies – again typically around Munich. Germany now vies with France as the second-biggest European market behind Britain. Whereas in the early 1980s small companies struggled to find finance, a company with a good idea and a solid business plan is now bombarded with capital.

Qiagen turned to three lenders: TVM, a Munich-based fund; Moshe Lafi, the US private investor specialising in biotech, and a venture capital fund set up by the publicly owned Düsseldorf savings bank. Says Mr Colpan: "These three investors were tremendously supportive. A company like Qiagen cannot succeed without venture capital."

In the hunt for extra funding, Qiagen brought in two more private investors in 1988: Euroventure, a Benelux fund, and Elf Acquitaine, the French oil group.

'We are delivering the picks and shovels of the biotechnology gold rush'

This took total private equity invested in the company to $9m. According to Peer Schatz, Qiagen's financial officer, this was a small sum for a company that had revenues of $50m, illustrating, he says, how scarce venture capital was.

But by the mid-1990s, venture capital alone was not enough to support Qiagen's rapid growth. It decided to go for an initial public offering. But Germany's own stock exchange was underdeveloped and unsuitable for a company still relatively small.

Qiagen decided to head for Nasdaq. It transformed itself from a German into a Dutch company – there were several Dutch but no German businesses on Nasdaq at the time, and it also made it easier to introduce a stock option scheme. The company also adopted US Generally Accepted Accounting Practice rules. The share offering raised $32m in June 1996.

"No one had done this before in Germany. We were guinea pigs. We had to do everything for the first time," says Mr Colpan.

Germany's stock exchange authorities have since recognised the need to improve home-grown stock market financing for fast-growing companies such as Qiagen.

In March 1997 it created the Neuer Markt, Frankfurt's own stock market solely for young, high-tech companies. In its first 18 months, the exchange has been a robust success – more than 40 companies have listed. Qiagen took advantage of the innovation in September last year.

"We had a tremendous reception from European investors," says Mr Colpan. "Most of them were able to purchase on Nasdaq, but others could not buy stocks not listed in Europe or even Germany. So the Neuer Markt increased access."

Now, far from being worried about obscurity, Qiagen's concern is coping with its rapid growth. Analysts expect revenues of $106m this year and profits of about $18m; by 2000 profits are expected to be $23m.

The company has introduced stock options for staff, again unusual for Germany, and may soon shift some production and research and development to the US, its biggest market. Mr Colpan is bullish.

"We are delivering the picks and shovels to the biotechnology gold rush," he says. "We now have a market capitalisation of $1bn. My goal is to become one of the leading companies in the biotech arena." Germany's politicians will be pleased.

Peer Schatz: financial officer says venture capital was scarce

Metin Colpan: Qiagen's success is a sign that Germany is changing

EUROPE LOBBYING

Unice seeks quality rather than quantity

Michael Smith looks at changes at the top of the European Union's 'voice of business'

Install a new head at any organisation and the chances are that reform will follow. Put in two top executives simultaneously and change becomes inevitable.

And so it is at Unice, the influential group representing Europe's private sector employers where Georges Jacobs and Dirk Hudig recently took over as president and secretary-general.

Unice is a cut above the standard lobbying group in Brussels. For 40 years it has been the main voice of business in the European Union, and in the early 1990s it was given a potentially powerful policy-making role when EU member states agreed "social partnership" arrangements under which employers and unions were invited to negotiate work-related agreements that could then be turned into law.

The word at the European Commission, the EU's executive, is that Unice, Ceep, its public sector counterpart, and the European Trade Union Confederation have missed an opportunity. The three social partners have negotiated just two agreements, one covering part-time work, the other parental leave – both at the suggestion of the Commission.

Mr Jacobs and Mr Hudig could hardly agree publicly with the Commission's downbeat assessment of their predecessors' work but they acknowledge that Unice risks losing authority unless it makes more of its social partnership role. That, in turn, may require a change in the "consensual" way Unice makes decisions, a tradition that requires virtual unanimity for any initiative it takes and sometimes thwarts the will of the majority. The new guard at Unice also wants the organisation to concentrate its energies on fewer issues.

"Just like the European Union itself, we want to do less, better," says Mr Jacobs. "We need to take a few items at a time and do them well and we need to be more pro-active."

He and Mr Hudig have targeted lobbying for simplification and harmonisation of EU law, particularly for some taxes, among their immediate priorities.

The two men can draw on wide experience to fulfil their lobbying and negotiating roles: Mr Jacobs, a Belgian, is a former president of his country's business federation, while Mr Hudig, born in the Netherlands but brought up in South Africa, spent 11 years as head of ICI's relations with EU governments until he assumed his full-time Unice job in May.

Born within three years of each other, Mr Jacobs in 1940 and Mr Hudig in 1943, the two men have each spent most of their careers with one company. Mr Jacobs joined the UCB Belgian pharmaceuticals group in 1970, holding jobs including treasurer and management controller before 11 years ago assuming the presidency, which he still holds alongside his part-time Unice role. Mr Hudig was with ICI for 28 years, and between 1987 and this May coupled his EU relations role with that of national manager of ICI's Belgian operation.

Simplification and harmonisation of EU law are among the priorities for Unice

The first contentious issue to face the two men has been the question of how Unice should approach the Commission's invitation to negotiate a deal with unions on employee consultation. Last spring Unice rejected the invitation and, as a result, Padraig Flynn, EU employment commissioner, is threatening autumn legislation forcing employers to consult workers.

Leaks from the Commission suggest that companies with as few as 20 employees could face penalties if they fail to consult workers on issues such as redundancies, sales and subsidiary disposals, and, in some cases, decisions could be reversed.

Not surprisingly some employers have taken fright, arguing they would be better off going into negotiations they can influence rather than being forced to accept a diktat from above. Mr Jacobs and Mr Hudig have called for a special council of Unice affiliates in mid-October to consider the issue.

The consultation issue has also prompted – or at least contributed to – a rethink on Unice's long-term "social partnership" role and on the way it makes decisions.

Since the EU gave the employers and unions their enhanced role at the 1991 Maastricht treaty, the social partners have been at their most active when threatened by Commission legislation. Mr Hudig points out the Maastricht treaty said the Commission's role was to encourage rather than direct the social partners, but he believes Unice needs to review its role.

"It is rather unhelpful just to say no," he says. "Usually you need a better idea. And we need alternatives for dealing with the big socio-economic issues."

Mr Jacobs says: "We at Unice need to initiate ideas, and we need to get together with the unions to develop a list of issues of common interests. The politicians are less close to the people than we are, and the less they interfere the better. If we have common ground with the unions it would be less easy for them to intervene."

Mr Jacobs is equally clear on the need for changing Unice's decision-making process.

"The consensus approach has worked well for us on most issues but it has its limits," he says. "My aim is to come up with a system that respects consensus as much as possible but I do not want to say no on an issue when a large majority is in favour."

The debate on decision-making, they stress, is for the future, long after October's council on worker consultation.

None of the new Unice leadership's reform agenda will be achieved easily but they are adamant about the need for it. "Change is essential for any organisation that wants to survive, and we are no different," says Mr Jacobs.

Fight jargon and win £500

If you hate gobbledegook and want to further the cause of plain English, enter a competition being run, for the second year, by the Financial Times and the Management Consultancies Association.

This is your chance to get your own back on your professional advisers. At the same time you could convert, with a clip of the scissors, the annoying rubbish filling your in-tray into a £500 prize.

We are looking for examples of jargon, gobbledegook and absurdly contorted prose from letters, reports, proposals, brochures, promotional material, books and so on, published over the last year.

Entries can be the work of any business or professional advisers, including:

- **Management consultants**
- **Lawyers**
- **Accountants**
- **Bankers**
- **Business gurus**

To enter the competition, simply fill in the form below (photocopies accepted) enclosing an example of the worst gobbledegook written or published since September 1 1997. No individual may submit more than one entry. Examples must be in English and should be no longer than 300 words.

Entries must be received by October 16 1998. The top three entries will each receive a cash prize of £500 and a collection of the best examples will be published in the Financial Times in November.

Financial Times/Management Consultancies Association

Business Jargon Competition

Entry form

Entries must be received by Friday October 16 1998

The competition administrator
The FT/MCA Business Jargon Competition
11 West Halkin Street
London SW1X 8JL

Name of sender

Address

Postcode

Telephone

I attach (please staple) my example for the above competition which was produced by
(Insert name of individual/firm/publication)

On (enter date)

Important You must give your name on this form, but if you do not wish your name to be associated publicly with this submission, please tick this box

PEOPLE ON THE MOVE

Curvey made president of Fidelity Investments

Boston-based Fidelity Investments, the world's largest fund manager with $691bn under management, has been reshuffling its management cards again, with a promotion for **Jim Curvey** to the rank of president.

Curvey, 63, is one of the few people to have risen through the ranks at Fidelity without direct experience of managing fund portfolios.

The increasing role he is being given by Ned Johnson, the company's chairman, demonstrates Fidelity's determination to become a broad based financial services group, rather than merely a mutual fund manager.

Curvey took on the newly created post of chief operating officer in April last year as part of a drastic reshuffling.

The company had had a difficult time in 1996, when it was plagued by poor investment performance and staff defections.

Since then, investment performance has improved strongly, with some of the better known funds beating US market indices.

The company's marketing continues to improve, particularly in its use of the internet, which now accounts for 60 per cent of all its trades. It has also launched a big new advertising campaign, despite the sharp downturn in the US stock market.

Customer service, rather than Fidelity's traditional concentration on investment performance and virtually nothing else, will be the focus of his new job.

Johnson said he would be focusing all the management team on serving customers, and also ensuring that Fidelity's different distribution channels were in line with clients' needs.

Curvey's work experience before Fidelity was in government, and in banking with Chase Manhattan.

Within the company, he had been president of Fidelity Capital, the company's venture capital arm, with interests in the UK as well as the US.

John Authers, New York

Gamble moves to Chatham House

Chris Gamble, currently director of the British Council in France, has been appointed director of the Royal Institute of International Affairs (Chatham House), in London.

Gamble, 48, who briefly worked for J. Sainsbury, the British supermarket group at the start of her working life, has extensive international experience.

She has worked for the British Council since 1978 with postings

Gamble: leaving the British Council

in France, Moscow, New Delhi, Harare and Athens in addition to periods spent in London involved with corporate planning and project development. She succeeds Sir Timothy Garden who left the institute prematurely in July.

Chatham House, which was set up in 1920 in the aftermath of the first world war, is Britain's venerable foreign policy think-tank and is comparable to the US Council on Foreign Relations.

Lisa Wood

Rosen to head Israel Chemicals

The Israel Corporation, one of Israel's biggest holding companies, has appointed **Yoseph Rosen**, 59, chairman and chief executive of group subsidiary Israel Chemicals.

Iraqi-born Rosen takes the helm of Israel's biggest, export-driven chemicals group after more than 25 years of Israeli business experience, in sectors ranging from agriculture to retailing. Most recently, he was chief executive of Mashav, an energy and building materials subsidiary controlled by Koor Industries and Clal Israel, the country's two biggest holding companies.

After taking up his position at Israel Chemicals on November 1, Rosen will report to Erwin Eisenberg, son of the late billionaire Shaul Eisenberg, who today controls the Israel Corporation.

Avi Machlis, Jerusalem

France Telecom hires Vinciguerra

France Telecom, the state-controlled telecommunications group, has intensified its drive to "corporatise" by creating a finance and human resources division and installing a new executive recruit to head it.

Jean-Louis Vinciguerra, 54, will be senior executive vice-president of the division, which will pull together the activities of the human resources and financial and legal departments.

Vinciguerra comes from Crédit Agricole Indosuez, where he spent a year in Singapore co-ordinating the French banking group's commercial and investment activities in the Asia-Pacific region.

Before that he was chief executive of BZW, the investment banking subsidiary of Barclays of the UK.

Vinciguerra is a graduate of the Institut d'Etudes Politiques de Paris and holds a Ph.D from the Harvard Business School in the US.

He began his business career in 1971 at French aluminium and packaging group Pechiney, where he worked through a series of executive roles before becoming chief executive of the packaging division, based in the US.

His appointment to France Telecom comes amid preparations for the state's second-stage privatisation of the organisation, expected later this year, and likely to raise about FFr40bn ($6.6bn).

Mark Mulligan, Paris

Rose flies Rover's flag

Walter Hasselkus, chairman of Rover Group and member of its parent BMW Board, has finally conceded that not even BMW's or Rover's fastest cars can get him to two places at once.

In consequence, as of October 1, Rover will have a deputy chairman whose main role will be to represent Rover in the UK – in relations with government, liaison with the Confederation of British Industry and so on – something which Hasselkus has been hard pressed to achieve while being called so frequently to Munich.

The role will be filled by **Tony Rose**, a 35-year veteran of Rover through most of its state, and privately owned manifestations, and who since 1991 has been finance and strategy director.

Rose, 58, is an accountant already well known in both government and financial circles outside of Rover's Birmingham heartland in England. Chairman of the West Midlands competitiveness forum and a member of the Department of Trade and Industry's economy monitoring panel, he is also a non-executive director of Midland Bank.

"Rover Group has a central industrial and business role in the UK and I'm delighted to accept the role of fostering awareness of its importance," he said.

There will be no attempt to run the deputy chairman's and finance and strategy director's roles in tandem. Rose is to hand the latter functions over to **Christian John von Freyend**, four years his junior and currently employed as BMW's company controller at Munich. During his 18 years with BMW, von Freyend has occupied a number of other roles, including logistics and materials planning.

His move to Rover means that, apart from Rose, there are now only two directors on Rover's eight-man board who pre-date BMW's 1994 takeover. Yet BMW can hardly be accused of "Germanisation" of the Rover board. Excluding Hasselkus – a firm Anglophile who lived in the UK for years when chairman of BMW's UK sales operations – von Freyend will be the only "non-Brit" on the board.

John Griffiths, London

Moving places

- **Jean-François Rischard** has taken up his post this week as the World Bank's first vice-president for Europe. Rischard, 49, was previously responsible for World Bank activities related to the development of the private and financial sectors in developing countries. A Luxembourg national, he joined the World Bank in 1975.
- **Giuseppe van der Helm** has been named president and managing director of Valvoline Europe. Van der Helm joins from Sigma Coatings.
- **Francis Heng** has been appointed group treasurer of Jardine Matheson to succeed Nicholas Sallnow-Smith who has been appointed finance director of Hongkong Land. Heng joined Hongkong Land in 1997 as group treasurer.
- **Lutgart Van den Berghe**, professor at the Erasmus University of Rotterdam in the Netherlands, and partner and associate dean, external affairs, of the Vlerick School of Management at the University of Ghent, Belgium, has been elected to the board of directors of the International Insurance Society, a non-profit organisation of 1,200 senior executives and academics in the field of insurance.
- Standard & Poor's Micropal, the mutual fund information vendor, has appointed **Stephen Yao** managing director for Asia, based in Hong Kong. Yao was a senior executive of Dow Jones Markets, looking after its north-east Asia operation.
- SLC Asset Management has appointed **Helen Ford** head of US equities. She joins from the Universities Superannuation Scheme, where she was American equities manager, with responsibility for the US and Latin American equities funds.
- **Bo Eklof**, 53, has been appointed managing director of Swedish-owned telecoms operator Telia UK. He joins from Telia Systems in Sweden, where he was also managing director. Eklof succeeds John Geary, who has taken up a position with the parent company, Telia AB.

CINEMA VENICE FILM FESTIVAL

Fingers crossed for a vintage year

Nigel Andrews reports on the fight for the Golden Lion

On the Lido di Venezia the whole movie-going map changes annually. We critics no sooner get used to one viewing space than we are hurled bodily into another. In 1998 it is a giant metal-sided tent about a mile from the main festival. Dim rumours of Steven Spielberg, Tom Hanks or Jim Carrey being firestormed by flashbulbs at the true centre, the Palazzo del Cinema, filter through to us celebrity-deprived square-eyes, exiled in the outer Lido to watch the latest from Outer Mongolia.

Is there an ingenious plan here? Is the displacement meant to tenderise us for the shock of the new? Certainly there is a free-form breeziness about the most popular movies so far, from Peter Mullan's *Orphans* to Francesca Archibugi's *The Pear Tree*, via Don Roos's *The Opposite Of Sex* and even James Ivory's *A Soldier's Daughter Never Cries*.

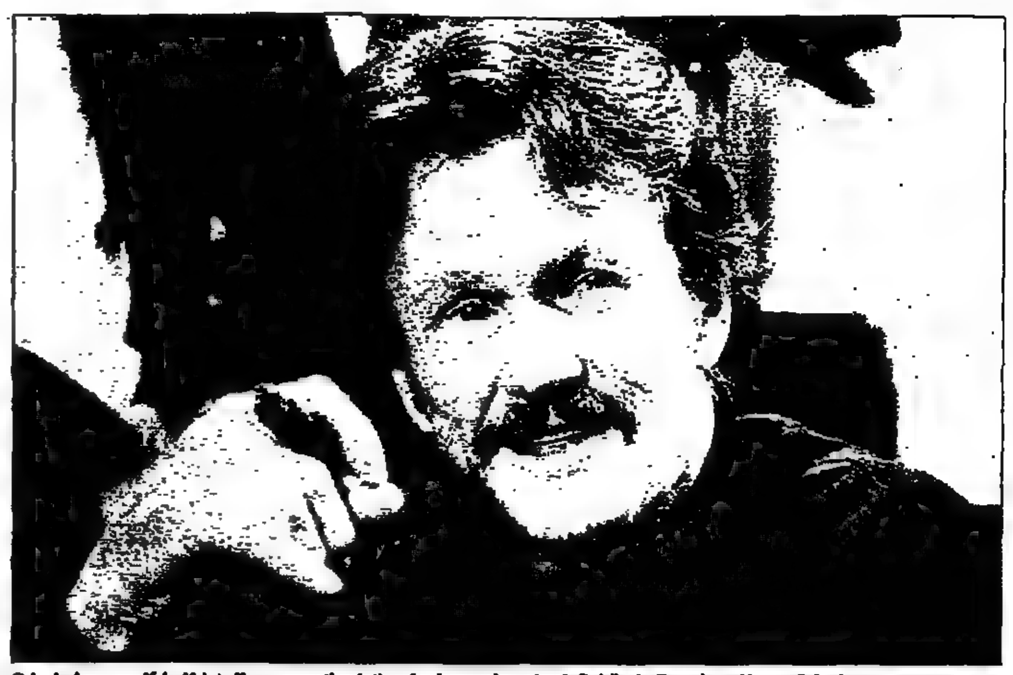
Orphans is a Scottish comedy about loss and death. Bleakly funny and grimly inventive, it roams over Glasgow following the misadventures of three brothers and a wheelchaired sister whose mother has died and who separately meet every funeral-eve mishap that fate can throw at them. One brother is non-fatally stabbed; another attempts a murder; the third is nearly maimed in church by a falling madonna. Meanwhile, the sister is adopted by a group of semi-deranged schoolchildren.

You believe every moment, even as chaos spirals. Debut writer-director Peter Mullan no doubt picked up neo-realist hints from playing the hero in Ken Loach's recent *My Name Is Joe*. He drives his story through switchbacking emotions, secure in the consistency of his characters and the forlornly vivid power of his settings. Even a special-effects miracle – a storm literally raising the roof of the church – is easily assimilated in a story about the marvellous weirdness of the everyday.

An even better black comedy was America's *The Opposite Of Sex*. Joe Orton himself could not have improved on the *Walpurgisnacht* plot which includes robbery, murder, sexual molestation and gay romance, and doesn't concern itself overmuch with which of these is politically okay. In this wittily edited movie, shot like a Day-Glo *film noir*, Christina Ricci (one-time *Addams Family* brat) is the blonde teenager rasping out the headlong, cynical voiceover – "There's other people a lot nicer than me coming up; we call them losers" – while Lisa Kudrow of TV's *Friends* steals every available scene as a shockable but tartly funny best friend.

Shock isn't everything, even in a festival with shock-therapy sequestration for critics. The firm of Merchant-Ivory gave us a sprawling, likable adaptation of Kaylie Jones's autobiographical novel about life with Dad. He is/was novelist James Jones, played with grizzled grace by Kris Kristofferson. The title heroine (Leelee Sobieski) of *A Soldier's Daughter Never Cries* does cry, quite a lot, since the story is about the place of emotion in displaced lives.

Raised in Paris, she is whisked away to America in her late teens by a father fearing incipient Euro-brattishness – but not before she has platonically befriended a skittishly androgyne opera-lover (brilliantly played by Anthony Roth Costanza) and bonded with a French foster brother, while putting the right space between herself and ebullient, bibulous Ma (Barbara Hershey in a Nefertiti hairstyle).



Grizzled grace: Kris Kristofferson as the father in James Ivory's 'A Soldier's Daughter Never Cries'

The film is a touch long, with a flaccid final act. But like *Mr And Mrs Bridge*, it shows that director James Ivory can deliver finely carved emotions even when not working on the sculptor-friendly soapstone of Forster or James.

Italy's *The Pear Tree* is directed to richly elliptical effect, like an inspired pop promo. It gives us more case-study kids: a boy and his little half-sister who share a drug-prone mother (Valeria Golino), mown down by a truck late on. But they are already, in a sense, parentless. Ma is largely AWOL; the fathers pay shuttle visits; the boy (Sergio Rubini) takes care of the girl after she pricks herself – moment of horror – with an infected hypodermic. His resourceful attempt to push her through unauthorised medical tests, by bamboozling doctors and hospitals, offers a funny, touching comment on the implacability of nanny states.

Less persuasive among early Golden Lion contenders were John Dahl's *Rounders*, the Taviani brothers' *Tu Ridi (You Laugh)* and Yves Angelo's *Voleur De Vie*. The French film is a portentous mood-piece with Emmanuelle Beart and Sandrine Bonnaire as Bergmanish sisters in a cliffside mansion. The Tavianis' new feature ransacks Pirandello stories to less effect than in their earlier *Chaos*. And you have to be a poker expert to appreciate *Rounders*: two hours of Matt Damon glowering at cards while John Malkovich flexes an eccentric Russian accent opposite him.

Worse still was Britain's *Hilary And Jackie*, an affront to the memory of Jaqueline Du Pré based on the earlier book-length affront by her sister and brother. Emily Watson plays the cellist like an escapee from Ken Russell's *The Devils*, barmy from birth and behaving like an emotional wheelchair case even before she succumbs to multiple sclerosis. The audience would like to care. But it is nearly drowning in the Elgar Cello Concerto when not trying to swim against the film's tide of maudlin hyperbole.

Hard to believe that this film's director, Anand Tucker, inhabits the same globe as the director of the best film so far. In *Conte d'Automne*, latest and last of his "tales of the seasons", Eric Rohmer does nothing but watch people talk for two hours. Or *seems* to do nothing. Actually, he creates a whole social and visual world for his two heroines, the lonely hearted, vineyard-owning Beatrice Romand (grown-up waif from *Claire's Knee*) and her stork-limbed, caring, matchmaking friend Hélène Marie Rivière.

Sunbaked southern villas, chattering rural intelligentsia, victim-males comically steered towards wilful women: these are the ingredients for a twining, aromatic comedy of errors good enough to drink, like fine Burgundy, and subtle enough to last.

Fingers are crossed that, after a heady start, this Mostra del Cinema can do the same. Still to be uncorked, in what promises to be a rich year, are films from Woody Allen, Emir Kusturica, Gianni Amelio, Peter Weir, Warren Beatty and Shekhar *Bandit Queen* Kapur.

Venice hosts gifts to strange gods

William Packer unravels the mysteries of the Mayan civilisation

The "Chac Mool", leaning back awkwardly on its elbows, sits on the steps of the Palazzo Grassi, looking out across waters of the Grand Canal. It is at once a splendid and curious place to put this Mayan figure – and wonderfully appropriate in its inappropriateness, for the Venetians were never loath to show off the spoils of cultures remote from their own. The formal setting of this magnificently alien piece, poised between late-Baroque façade and the turn of the canal, could hardly be bettered.

Found at Chichen Itza, the figure is of a familiar Mayan type from what is known as the early post-classic period, around 1000 AD. Of ambiguously sacrificial purpose, it represents an intermediary of the gods, knees raised, hands laid across its belly in expectation of whatever placatory offerings might be its due, head turned to outface us with an implacable stare. It is the perfect lure and portent to what is to be found inside.

The Maya is the latest in the occasional series of exhibitions at the Palazzo Grassi on ancient civilisations. Now, after the Phoenicians, the Celts and the Greeks, it looks for the first time beyond Europe, and across the Atlantic to one of the greatest of the cultures of the pre-Columbian Americas.

The territory of the Maya extended from the Yucatan peninsula in south-eastern Mexico, through what are now Belize and Guatemala and into Honduras and El Salvador. The earliest evidence of settlement dates from the end of the last ice age, but identification with the Maya begins around 1800 BC, after which their history is continuous, if obscure, through to the time of the Spanish Conquest. Their great days began around 100 AD, with the Proto-Classic period, but it was during the Late Classic period, after 600 AD, when their art and architecture was at its most developed, with such cities as Palenque, Tikal and Copan.

Already in their Late Post-Classic decadence by the time of the arrival of the Spanish conquistadores in the 1520s, it nevertheless took the better part of the 16th century for the Maya to be comprehensively reduced across their wide territories. But the early Spanish conquerors never fully penetrated their mysteries of culture, language and religion, and their own higher religious zealotry saw to it that much of what they discovered was conscientiously suppressed. The Maya thus remained largely a forgotten and mysterious people until comparatively recently and, as the compilers of the catalogue are at pains to point out, interpretation of even the most fundamental questions is still a matter of argument.

It is the achievement of this remarkable exhibition to bring so much of this history to life, readily accessible and with wonderfully rich and beautiful sculpture, ornament and ceramic. If it does not break new ground, it clears what ground there is and, at some 600 items from museums around the world, it brings together not just the largest but the best selection of Mayan material there has yet been.

It is, in all, a revelation. For while the first Europeans to come across the remnants of what was clearly an ancient civilisation could only explain its evident sophistication by a putative but inexplicable connection with their own beginnings, it soon became clear that here was a culture of entirely independent origins. And it has been this complete strangeness that has continued to fascinate us, with its stories of a ritualistic, priest-led society worshipping the gods of nature and the stars, capable both of the finest calculations and, in the refinements of human sacrifice, the utmost cruelty. Here were a people who built magnificent cities and made great works of art, were first to embrace the concept of zero, could calculate the eclipses of sun and moon, and whose games, in which the ball kept constantly in motion represented the movement of the sun, ended in decapitation.

Barbaric and beautiful: a Mayan mask made of jadeite and shell from the Classic Period

The ritual is inescapable, and the barbarity of torture and sacrifice to sweet music and sweeter smells – for how can one feed the gods but through the senses? But with those gods ever-present and part of daily life, it is the vigour and immediacy of that daily life that comes to us through the physical presence of all these things – in the constant, direct reference to animal and vegetable kingdoms; in the realism of grave-goods, tiny terracotta courtiers and attendants, prancing acrobats, dancers, ball-players; in the ceramic pots and jars, plain or painted, yet of such direct and practical simplicity; in the larger terracotta urn-figures in the form of gods and monsters, yet modelled with such gusto; in the plaster head of a young man, with his forcibly depressed forehead after the Mayan custom, and his splendid sprouting head-dress. These were strange people, with strange customs, but life went on.

The Maya: Palazzo Grassi, Venice, until May 16: sponsored by Fiat, and New Holland de Mexico.

Drowned water nymph survives

OPERA

RICHARD FAIRMAN

Rusalka
English National Opera

With no staged performances by the Royal Opera until December, English National Opera has a captive audience for three clear months. Hopefully that will mean full houses for Dvořák's much-loved *Rusalka*, which opened the season on Saturday.

This production, which dates back to 1983, is one of ENO's great achievements. It took a classic fairytale and submitted it to the full Freudian treatment, turning Dvořák's water nymph into an adolescent girl yearning to escape the shackles of her Victorian childhood. After 15 years it might be good to see a traditional production for a change, but David Pountney's re-telling of the story is so perceptive in every detail that it rewards a return visit.

Unfortunately, not all is well with this revival. Although the two lead singers are vocally as strong as any have been and there are some welcome newcomers, the performance is less captivating than it should be.

The big problem is Richard Hickox's wildly overheated conducting. While it is reasonable to look for links with Wagner in this opera, Hickox thundered through the first act as if every climax were a summons to a posse of Valkyries waiting in the wings. By the time the interval arrived he had already let rip so many triple fortissimos there was nowhere for the rest of the performance to go.

Given the volume being pumped out of the orchestra pit, it was fortunate that Janice Cairns had the lung power to make herself heard in the dramatic role of the Foreign Princess. Enjoying an easier life in the playful scenes of the Gamekeeper and Kitchen Boy, Dominic Natoli and Nerys Jones have put themselves well in line for the ENO "clarity of diction 1998" award. John Connell lost his way as the Water Spirit, but Catherine Savory was on target as the deadpan Jezibaba.

The two lead roles were taken – yet again – by American singers. As the Prince, Robert Brubaker sang strongly, although his voice is not ideally free at the top. Following her commendable Violetta last season, Susan Patterson was just as assured as Rusalka, singing with a certainty of tone throughout her range that suggests she could follow in the line of international American sopranos such as Carol Vaness and Cheryl Studer; but neither in her singing nor her general deportment is she quite the fragile young thing that Dvořák must have imagined for his other-worldly heroine.

For next time I dream of a more idiomatic conductor and a cast with a touch of fairytale enchantment – how about bringing back Mackerras, former ENO music director and Czech opera expert, and pairing him with Joan Rodgers as Rusalka? But the important point is that there must be a next time. This is a production that is too good to lose.

Richard Fairman

The Coliseum, London WC2 until September 24

INTERNATIONAL Arts Guide

AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-675 4411
Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Adams, Mahler and Sibelius; Sep 8

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Götterdämmerung: by Wagner. New staging by Pierre Audi, conducted by Hartmut Haenchen. Cast includes Heinz Kruse, Jeannine Altmeyer and Henk Smit; Sep 8, 12

BADEN-BADEN

CONCERTS
Festspielhaus
Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Schoenberg and Mahler; Sep 9

BEIJING

OPERA
The Forbidden City
www.turandot-on-site.com
Turandot: by Puccini. Conducted by Zubin Mehta in a staging by Zhang Yimou. With the Maggio Musicale Fiorentino; Sep 8, 9, 10, 11, 12, 13

BIRMINGHAM

CONCERT
Symphony Hall
Tel: 44-121-212 3333
Czech Philharmonic: in a programme of works by Janácek, Beethoven and Dvorák; Sep 9

BRUSSELS

CONCERT
Palais des Beaux Arts
Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Wagner, Schoenberg and Tchaikovsky; Sep 8

COLOGNE

CONCERT
Philharmonie
Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Sibelius, Salonen and Stravinsky; Sep 10

DUSSELDORF

CONCERT
Tonhalle
Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Copland, Sibelius and Stravinsky; Sep 9

FORT WORTH

EXHIBITION
Kimbell Art Museum
Tel: 1-817-3328451
www.kimbellart.org
Modernism – The Art of Design 1880-1940: wideranging display of works from the Norwest collection. Ranges from the British Arts and Crafts movement through the Bauhaus and Art Deco to the 1920s and 1930s; to Sep 13

FRANKFURT

CONCERTS
Alte Oper
Tel: 49-69-134 0400
● Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Salonen and Bruckner; Sep 12
● Radio Symphony Orchestra Frankfurt: conducted by Leonard Slatkin in works by Enescu, Barber and Schumann. With soprano Linda Hohenfeld; Sep 10, 11

OPERA
Oper Frankfurt
Tel: 49-69-21237 999
www.frankfurt-business.de/oper
● La Périchole: by Offenbach. Conducted by Catherine Rückwardt in a staging by Peter Eschberg, with designs by Peter Pabst; Sep 12
● La Traviata: by Verdi. Staged by Axel Corti; Sep 11, 13

LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● BBC National Orchestra of Wales: conducted by Mark Elder in works by Stravinsky, Szymanowski, Debussy and Holst. With the BBC National Chorus of Wales and soprano Valdine Anderson; Sep 10
● Bournemouth Symphony Orchestra: conducted by Yakov Kreizberg in works by Glinka, Rachmaninov and Schmidt. With piano soloist Arkady Volodos; Sep 9
● Chamber Orchestra of Europe: conducted by Nikolaus Harnoncourt in Beethoven's Missa Solemnis. With the Arnold Schoenberg Choir; Sep 11
● Czech Philharmonic: conducted by Libor Pešek in works by Dvořák, Szymanowski and Brahms. With violin soloist Raphael Oleg; Sep 8
● The Last Night of the Proms: Andrew Davis conducts the BBC Symphony Orchestra, Chorus and Singers in a programme including the European premiere of Hugh Wood's Variations for Orchestra, works by Gershwin, Thomas Adès and Parry. With baritone Thomas Hampson and piano soloist Jean-Yves Thibaudet; Sep 12

EXHIBITION
British Museum
Tel: 44-171-636 1555
Persian and Indian Manuscripts and Paintings: the Royal Asiatic Society celebrates its 175th anniversary with an exhibition of objects rarely seen by the public; to Sep 13

LUCERNE

CONCERTS
International Festival of Music
Tel: 41-41-226 4400
www.LucerneMusic.ch/
● Chicago Symphony Orchestra: Daniel Barenboim conducts works by Strauss, Berg and Tchaikovsky; Sep 11
● Chicago Symphony Orchestra: Daniel Barenboim conducts works by Schoenberg, Wagner and Beethoven; Sep 12
● Leipzig Gewandhaus Orchestra: in works by Honegger and Bruckner. The conductor is Herbert Blomstedt; Sep 8

MADRID

EXHIBITION
Fundació la Caixa
Tel: 34-1-435 4833
Lucio Fontana (1899-1968): retrospective of the Italian pioneer of conceptual and multimedia art; to Sep 13

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Wagner and Mahler; Sep 14
● Munich Philharmonic Orchestra: conducted by Rafael Frühbeck de Burgos in a programme inlcuding works by Rimski/Korsakov and Ravel; Sep 9, 10, 11

NEW YORK

OPERA
New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
● Partenope: by Handel. Directed by Francisco Negrin and conducted by George Manahan. Lisa Saffer sings the title role; Sep 11
● Tosca: by Puccini. A new production by Mark Lamos, opening the Opera's 1998-1999 season. George Manahan conducts and the cast includes Isabelle Kabatu, Anotonio Nagare and Mark Delavan; produced in association with Glimmerglass Opera; Sep 10, 13

SAN FRANCISCO

EXHIBITION
San Francisco Museum of Modern Art
www.sfmoma.org
Alexander Calder (1898-1976): around 250 works, among them some of the best examples of Calder's formally innovative sculpture. Alongside the mobiles and stabiles are selected paintings, drawings and jewellery, the intention being to present the breadth of the artist's career on the occasion of the centenary of his birth; to Dec 1

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
● NHK Symphony Orchestra: conducted by Chung Myung-Whun in works by Messiaen, Schechedrin and Tchaikovsky. With violin soloist Maxim Vengerov; Sep 10
● Yomiuri Nippon Symphony Orchestra: conducted by Gilbert Varga in works by Ravel, Bartok and Tchaikovsky; Sep 11

EXHIBITION
Metropolitan Museum of Photography
Tel: 81-3-3280 0031
Eugène Atget Retrospective: An Intimate View of Paris at the Turn of the Century; to Nov 4

WASHINGTON

CONCERT
Wolf Trap
Tel: 1-703-218 6500
Monsters of Grace: collaboration between composer Philip Glass and theatre director Robert Wilson; Sep 9

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

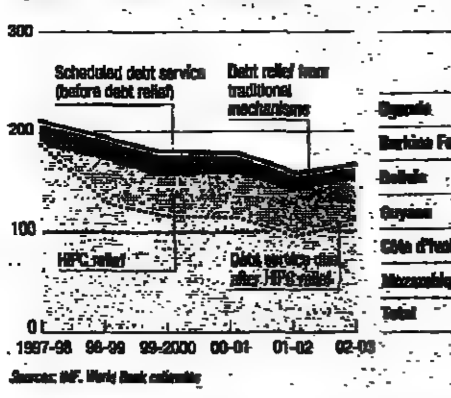
At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

Finally, relief in sight

The IMF and the World Bank plan to ease the debt burdens of poor countries emerging from conflict, writes **Robert Chote**

Debt relief agreed for six countries, but plenty more to come

Uganda's debt service payments ($m)

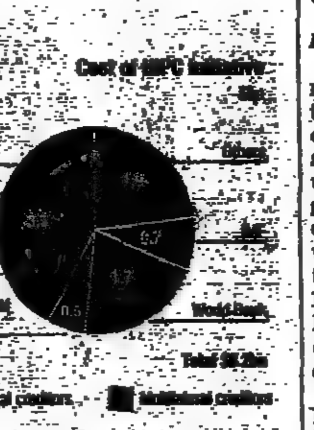


Source: IMF, World Bank estimates

HIPC initiative: the first two years

	Completion point	Debt/export target (%)	Total ($m)	% reduction in present value of debt
Uganda	Apr 1998	202	347	20
Burkina Faso	Apr 2000	205	115	14
Bolivia	Sep 1998	225	448	13
Guyana	Feb 1999	107	253	25
Côte d'Ivoire	Mar 2001	141	345	6
Mozambique	Mid 1999	200	1442	57
Total	-		2950	

Cost of HIPC initiative



Four months ago 50,000 people formed a human chain to urge the summit of the Group Of Eight leading industrial countries to forgive the debts of the world's poorest nations. The protest made little headway, and since then the Russian economy has collapsed while Asia's financial crisis has spread. Policymakers might be forgiven for regarding the plight of the poorest as a distraction.

In fact, this week, the International Monetary Fund and the World Bank will recommend giving limited debt relief to more poor countries. They need help. Disruptive and painful though the consequences of recent market turmoil are, incomes per head in the countries worst affected average more than $5,000 a year, adjusting for differences in prices. In the highly indebted poor countries they are a fifth of that.

And the global financial turmoil will make the position of the poorest nations even worse. They may be relatively unscathed by the withdrawal of footloose investment capital, having received little to begin with. But many will be dealt a severe blow by falling commodity prices, which will erode export earnings. So too will weaker spending in the industrialised world.

It was falling commodity prices in the late 1970s that encouraged many poor countries to borrow in the first place, compensating for lost export earnings. Debt burdens also rose because of bad weather, civil strife, weak economic policies and poor debt management.

Lenders encouraged them to take loans at commercial interest rates over short repayment periods. But the emerging market debt crisis of the early 1980s prompted most commercial banks to stop lending, leaving them dependent on government and multilateral creditors.

Since the early 1980s net inflows into the 40 nations classified as "highly indebted poor countries" (HIPCs) have averaged 1-5 per cent of national income a year. This increased their external debt from $55bn in 1980 to $206bn in 1996.

Relative to other developing countries, these nations have suffered weak economic growth and export performance. Debt relief is no panacea, but it can help.

Many countries are paying less to service their debts than they are supposed to. This discourages improvements in economic performance because creditors would capture any gains. Large debt burdens also create the expectation that taxes will have to rise to service them, which deters investment inflows and encourages capital flight. Finally, managing large debts imposes a heavy bureaucratic workload.

For the last 10 years the international community has offered increasingly generous debt relief terms to the countries worst affected, but this has not stopped the burden rising. In 1996 the World Bank and International Monetary Fund began a new approach, aiming to reduce the debt burdens of countries with good policy performance to sustainable levels and offering them a permanent exit from rescheduling.

The Bank and Fund assess sustainability primarily by comparing the net present value of a country's debt burden – the one-off sum that would be required to finance all future repayments – to its export earnings. The HIPCs as a group have a debt-to-export ratio of 450 per cent, double what seen as sustainable.

A country is eligible if the full application of traditional debt relief terms is insufficient to reduce debts to a sustainable level. Over the first two years of the initiative debt relief worth $2.95bn has been agreed for six countries, although only Uganda has reached the "completion point" when it is delivered.

The HIPCs were given two years to establish concessional loan programmes with the Bank or Fund if they wanted to qualify. The two years are now up and only 31 have done so. The Bank's executive board will meet today to discuss whether this "sunset clause" should be lifted for another two years. The IMF board will then meet on Thursday.

In a confidential paper, the institutions recommend lifting the sunset clause, which would mean that a few other countries – Burundi, the Democratic Republic of Congo, Liberia, Burma, Sao Tome and Principe, Somalia and Sudan – could benefit.

The boards are likely to lift the sunset clause, not least because most of these countries are emerging from war or civil strife. They may also shorten slightly the track record required.

"Post-conflict countries represent a special challenge," the paper says. "Their needs are great, opportunities for progress substantial, but institutional and administrative capacity is often severely limited".

Extending the initiative could be expensive. For those countries for which reliable estimates are possible, the paper says it would raise the cost by $2.4bn to a total of $8.2bn. Governments would have to find $4bn, the World Bank $1.7bn, the IMF $700m and other multilateral creditors $1.9bn. But buried in a footnote, it adds that tentative estimates suggest $1bn more might be needed for Liberia and Somalia, plus $4.5bn for Sudan.

Even the "reliable" estimates are subject to big margins of error. If export growth came in two percentage points lower than expected – which the Asian crisis makes more likely – this would add $1bn to the cost.

Board members are likely to quiz both institutions on these costings and especially the impact which slower world trade growth might have on them.

Meanwhile the US is expected to press the IMF to provide more interim assistance to countries before they get their full debt relief, so they do not lose out if they are made to establish a long track record of policy reform.

But these technical discussions fall well short of the fundamental reappraisal that Jubilee 2000, the campaign group that organised the Birmingham protest, would like. It wants complete debt cancellation.

The IMF gives Jubilee 2000 short shrift, arguing that its demands "are frankly unrealistic." It warns that the proceeds of unconditional debt cancellation may be squandered on corruption, military spending and pointlessly grandiose projects.

But there is likely to be discussion of ways in which the benefits of debt relief can be linked more closely to poverty alleviation. Oxfam International, the development lobby group, proposes a "human development window", under which countries get deeper and quicker relief if they earmark the proceeds for tackling poverty.

The institutions are wary, arguing that "a simple one-to-one relationship between debt-service relief and social expenditures cannot always be established for a number of reasons".

The time profile of debt relief may not tally with that of desirable social spending, cash-flow savings may take time to build up and it may be inefficient to expand social spending too quickly. Rich governments might also use debt relief as an excuse to cut aid flows.

This week's discussions of the debt initiative may seem a distraction from events in Asia and Russia. But with the IMF and World Bank under scrutiny for their role in these crises, the success of the initiative is all the more important – both to them and to the poor who might benefit.

LETTERS TO THE EDITOR

Russia offers US a lesson in danger of allowing oligarchy to take root

From Ms Cecelia Drazek.

Sir, Current Russian economic turmoil shows again that "money is power". The oligarchy that controls Russian business and banks uses its power to control the government and economy to enrich their bottom line, whether or not it is good for the country. Russian and International Monetary Fund treasuries have been disgorged to sustain their empires.

Former minister Boris Nemtsov is reported ("Rouble drops on economy fears", August 26) as saying that the oligarchs persuaded the president to sack Sergei Kiriyenko's government rather than enact economic reforms.

The sobering prospect of oligarchy is one bill away from becoming reality in the US. Congress is ready to repeal the Glass-Steagall Act to allow the Travelers Insurance-Citicorp merger (the merger is currently illegal). Once this merger is allowed, most experts assert that nine or 10 financial behemoths will emerge from the consolidation of hundreds of US insurance companies, banks, investment bankers and brokerages.

Whether rooted in Russian tradition or created by the US Congress, an oligarchy is distinguished by its lack of accountability – no group or institution has more power than the oligarchy. Repealing Glass-Steagall inevitably creates a US oligarchy. By seduction or coercion, this oligarchy has the means to control the president, Congress, the Federal Reserve, regulators and other governments. Who or what group will have more power than the handful of men who control the financial resources of the largest economy in the world?

Cecelia Drazek,
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Nothing negative about footloose capital

From Sir Alan Walters.

Sir, Paul Krugman has got widespread attention for his recommendation that Japan needs negative real interest rates (see Martin Wolf in "Threats of depression", August 26). Since the marginal rate of return on capital in Japan seems to be also negative, one can see what he means. But how would one ensure that capital did not fly out of the country to, say, the US where the expected real interest rate is clearly positive?

Of course not all capital is mobile: some of it must stay mired in Japan's slump. But the massive capital movements is testimony enough to the high fraction that is mobile. Is Professor Krugman, and those who support this policy, recommending also sufficiently draconian capital controls to keep footloose capital in Japan? Or is he anticipating that the negative real interest rates would be worldwide? Perhaps I am missing something?

Alan Walters,
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Political turmoil brings costly disease

From Dr Nicholas Banatvala.

Sir, The return to a dark age of drug-resistant diseases ("Call to reduce use of antibiotics" and leader, "Superbug wars", September 4) has already begun to happen in many countries where political turmoil and economic decline have eroded national health services. Russia is a prime example of this. It is now experiencing an epidemic of tuberculosis that is growing at a rate of 10 per cent per annum and spawning antibiotic-resistant strains for which there is almost no hope of cure.

What happens there affects us in the UK, because contagious diseases do not respect national borders. Tuberculosis kills more adults worldwide than any other communicable disease. We must take disease control campaigns to those countries where drug-resistance is developing.

Having spent the past two years managing a Siberian tuberculosis project, I would argue that there are two crucial factors for turning the tide. First, political will at the highest levels is needed to make entire health services change their behaviour. But that is not enough. Huge amounts of money are also required: for clinical research, health staff redeployment, and control programmes. Beating TB in New York cost the US government $1bn. Where will the less wealthy nations find that sort of money, unless we help them?

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We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171-873 5938 (set fax to 'fine'), e-mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages. Fax +44-171-873 5938. Letters should be typed and not hand written.

FT INTERVIEW SHEIKH HASSAN NASRALLAH

A modern Shi'ite

David Gardner talks to the man who has taken Hizbollah away from its violent roots and towards a more responsible civil role in Lebanon

New agenda: Nasrallah is bidding to join the Lebanese government

The South Lebanon Army – Israel's mercenaries in south Lebanon – is on the run. The disintegration of their motley force means that Israel's elite troops have been thrust into the last active front-line of the Arab-Israeli conflict, where they are now enduring a politically costly stream of casualties at the hands of Hizbollah, the Shi'ite Moslem fundamentalist movement spearheading the fight against the occupation. Few people are happier about this than Sheikh Hassan Nasrallah, Hizbollah's leader.

"In the past the discussion was about the fate of the [SLA] officers in the event of a settlement. Now they want guarantees even in the absence of any agreement," he told the FT in an interview at his safe-house in Bir el-Abed, the heart of the Party of God's stronghold in the suburbs of Beirut. "No doubt their morale must have deteriorated a lot."

The government of Benjamin Netanyahu, Israel's rightwing nationalist prime minister, has offered to withdraw if the Lebanese army – reconstituted from the sectarian militias which virtually destroyed Lebanon as a country in the 1975-90 civil war – guarantees the security of its northern border. Syria, which deploys 35,000 troops to dominate Lebanon, insists on an unconditional withdrawal, as stipulated in UN Security Council Resolution 425 of 1978.

In Israel, Lebanon and Syria, many believe Mr Netanyahu will soon withdraw anyway: under attrition; keen to pose as a peacemaker despite his unwillingness to surrender the conquered Palestinian and Syrian land which would make regional peace possible; and betting that the sectarian Lebanese, artificially united by the Israeli occupation, would then turn their discontent on Syria, or perhaps themselves, again.

Sheikh Nasrallah does not buy that. "Netanyahu," he says, "is an opportunist, but he won't do it. It would be to admit defeat at the hands, not even of an army, but a certain group [Hizbollah]. They would be stigmatised as losers, which would only encourage the Palestinians to redouble their efforts against the occupation of their land [by Israel]."

Hizbollah's agenda has long since moved beyond the resistance to Israel which has earned it prestige in politically fragmented Lebanon. It has come a long way since the infamous suicide-bombings and kidnappings of westerners of the early 1980s. Sheikh Nasrallah is now bidding to join the Lebanese government. He also believes that the rise of Mohammed Khatami, the reformist president of Iran, is a model of enlightened Islam which is sketching out a path for the region towards modernity and democracy.

Hizbollah was inspired and initially financed by the Shi'ite Islamic revolution in Iran and is licensed by Syria in a proxy conflict through which Damascus hopes to recover the Israeli-occupied Golan Heights. It was born of Israel's invasion of Lebanon in 1982, which three years later Hizbollah fighters suicide-bombed back into the southern border enclave.

Hizbollah now has an impressive social and political network: hospitals, schools, a a public housing unit and a widely watched TV station, mosques, orphanages, and the most assiduous faction in a parliament full of clan leaders and sectarian hacks. Since Lebanon's recent and first municipal elections in 35 years, Hizbollah can also claim to be the leading organisation of the Shi'a, the largest of Lebanon's communities.

Much of this is down to Sheikh Nasrallah, whose name means "God's victory". Now 38, he took over the organisation in 1992 after his predecessor, Sheikh Abbas Musawi, was assassinated in an Israeli helicopter ambush, and he has just been re-elected to a third term as secretary-general. Wearing the black turban of a Sayyid – or descendant of the Prophet Mohammed – he is precise in his answers which are devoid of rhetoric but laced with acerbic humour.

"Yes," he says, "Hizbollah does foresee eventual entry into the government. It's a question of timing and whether we can get elements of our programme considered." A new government is expected at the end of November, after parliament elects a new (Christian) president, who appoints the executive (Sunni Moslem) prime minister, expected to be Rafiq al-Hariri, the billionaire construction tycoon and current premier who has staked his career on the renaissance of Beirut.

"We want a government of institutions, with ministers who make decisions, not the board of a corporation" – a reference to Mr Hariri's no-nonsense, businessman's approach to his project of rebuilding Beirut as the Middle East's financial centre. He wants, too, "a professional and honest civil service regardless of religion" to replace the sectarian quota system imposed by some of the corrupt warlords and feudal clan leaders in today's cabinet. And priority to the fight against joblessness and poverty.

Hizbollah has long eschewed the idea of an Islamic state in Lebanon, pursuing instead a programme which is almost Blairite in its pragmatism.

It has been encouraged in this by the impact of President Khatami's Islamic democracy project in Iran, which, if successful in its attempt to make government accountable to the rule of law and the assent of the governed, will challenge the fossilised despotism benighting most of the Arab world.

What is going on in Iran "presents a model and an example", says Sheikh Nasrallah. "There are a lot of models. Some of them very dangerous like the Taliban" – the neo-medieval Sunni militia which has conquered most of Afghanistan with Saudi Arabian and Pakistani backing and US logistics support.

This is the "Made in USA" combination, he points out, which backed the Mujahideen resistance to the Soviet invasion in the 1980s and bequeathed the "Arab-Afghan" phenomenon – former Arab volunteers in that war who now turn their guns on their governments and US targets.

It suits the US, he says, to "show Islam as ignorance, savagery, the degradation of women, a regression to factional warfare, and to teach this not as propaganda but through groups to which they give arms".

In Iran, by contrast, "what is being presented is an enlightened and tolerant Islam, based on the origins of our religion. This model will have a gradual and positive impact on the Arab world, affecting its people, and through them its governments."

FINANCIAL TIMES

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Europe's hush on Russia

Europe has a greater stake in Russian stability than any other region in the world. The absolute levels of European financial and economic exposure may not be very large (in comparison with those to Asia, for example) but Russia is on Europe's doorstep. The risk of contagion, via central and eastern Europe, is real. And political turmoil in Russia, if it were to follow economic collapse, could bring the threat of social disturbances, mass emigration or environmental disasters.

Yet in spite of that grim backdrop, the contribution of the European Union to the debate on how to help Russia since the rouble collapsed three weeks ago has been almost inaudible. It was late last week before the European Commission issued a statement suggesting how it might help – but only by refocusing its existing technical assistance programme. At the weekend, EU foreign ministers finally issued a worthy declaration, referring to Russia's "unique challenges".

Of course, in a situation of political chaos in Moscow, with no government in office, and a president at loggerheads with his parliament, it could be counterproductive for the outside world to preach. Most Russians blame the west for the plight they are in. Moreover, there are no easy solutions, as the present sorry impasse demonstrates. Throwing more money at Russia, when there is no guarantee that it will not leak straight out of the country, is no answer. But nor is it possible to turn one's back on the country's plight.

The crisis in Russia today is both political and economic, as it has been all along. Political confusion has undermined economic reforms within the country, and political imperatives have overruled economic caution in providing international financial assistance, including from the International Monetary Fund. But Russia's successful exploitation of the fear of its collapse seems to have run out of steam.

Both the EU and the US have been most cautious in their comments on the current crisis. They have restated their commitment to economic reform, and their insistence that it must be maintained if financial support is to continue. But they have not made it clear that the reforms failed precisely because they were not radical enough: they did not establish a clear rule of law, transparency in the banking system, and a genuine market economy in the manufacturing sector.

The EU should not defer to the US in helping Russia out of its crisis. It may be able to assist in practical ways, with supplies of food and drugs this winter, for example. Most of all, it can help in plain speaking, in analysing the inadequacies of the reforms so far, and speaking out against any drift back to the command economy. It has both a responsibility, and a vital interest, in seeing that does not happen.

Missing the bus

Since Lionel Jospin's government took office in France last year, it has been unexpectedly willing to place market economy principles above obsolete socialist and statist dogma. But its new-found pragmatism has limits. One is the evident difficulty of adjusting to the idea that markets do not necessarily respect France's traditional concepts of its influence in Europe.

Gallic pride has yet to recover from the Paris bourse's exclusion from the planned link-up between the London and Frankfurt stock exchanges. Now merger talks between British Aerospace and Germany's Daimler-Benz Aerospace (Dasa) have added to the country's fears of industrial marginalisation. Jean-Claude Gayssot, its transport minister, says a deal would call into question plans to restructure the Airbus consortium, in which France's Aérospatiale is the other big shareholder.

Mr Gayssot apparently fears that a merged BA/Dasa, with a majority of Airbus's shares, would decide the consortium's strategy, consigning Aérospatiale to a junior role. That is undoubtedly a risk. But responsibility for avoiding it lies squarely with France. It will not succeed by threatening to delay the much-needed reform of Airbus. Doing so would only damage the venture's prospects and antagonise France's European partners.

The BAe/Dasa talks are firmly in line with plans to improve Airbus's efficiency by turning it into a normal commercial company. Amalgamation of its shareholder-suppliers would allow faster and more coherent decision-making, better cost control and generally tighter management. That would enhance profitability and sharpen Airbus's competitive edge, at a time when Boeing, its arch competitor, is struggling.

These plans must overcome fierce corporate and national rivalries. But much the biggest obstacle is state ownership of Aérospatiale, which complicates closer co-operation with its Airbus partners and rules out a merger with them. France has acknowledged the problem by deciding partially to privatise the company. However, the other Airbus partners fear the French government may still use its residual minority stake in Aérospatiale for political ends. Mr Gayssot's recent comments can only strengthen those suspicions.

His government should quash them now by committing itself to early privatisation of all of Aérospatiale. That would free the company to play a full part in shaping Airbus's future and expose it to salutary commercial disciplines. The longer that step is delayed, the greater the risk of Aérospatiale being relegated permanently to the sidelines of Europe's aerospace industry.

Off side

For Manchester United fans, the prospect of a BSkyB takeover is not a matter of life and death. It is much more important. It also raises competition concerns, and some wider questions about the management of a sport that has become big business.

There are three specific issues raised by the expected bid. First, to what extent is Man Utd a dominant football supplier? This is tricky. It is the world's most widely supported and richest club. However, it is still only one among 20 Premiership teams. People only pay to watch Man Utd because they play Liverpool, Arsenal and the rest.

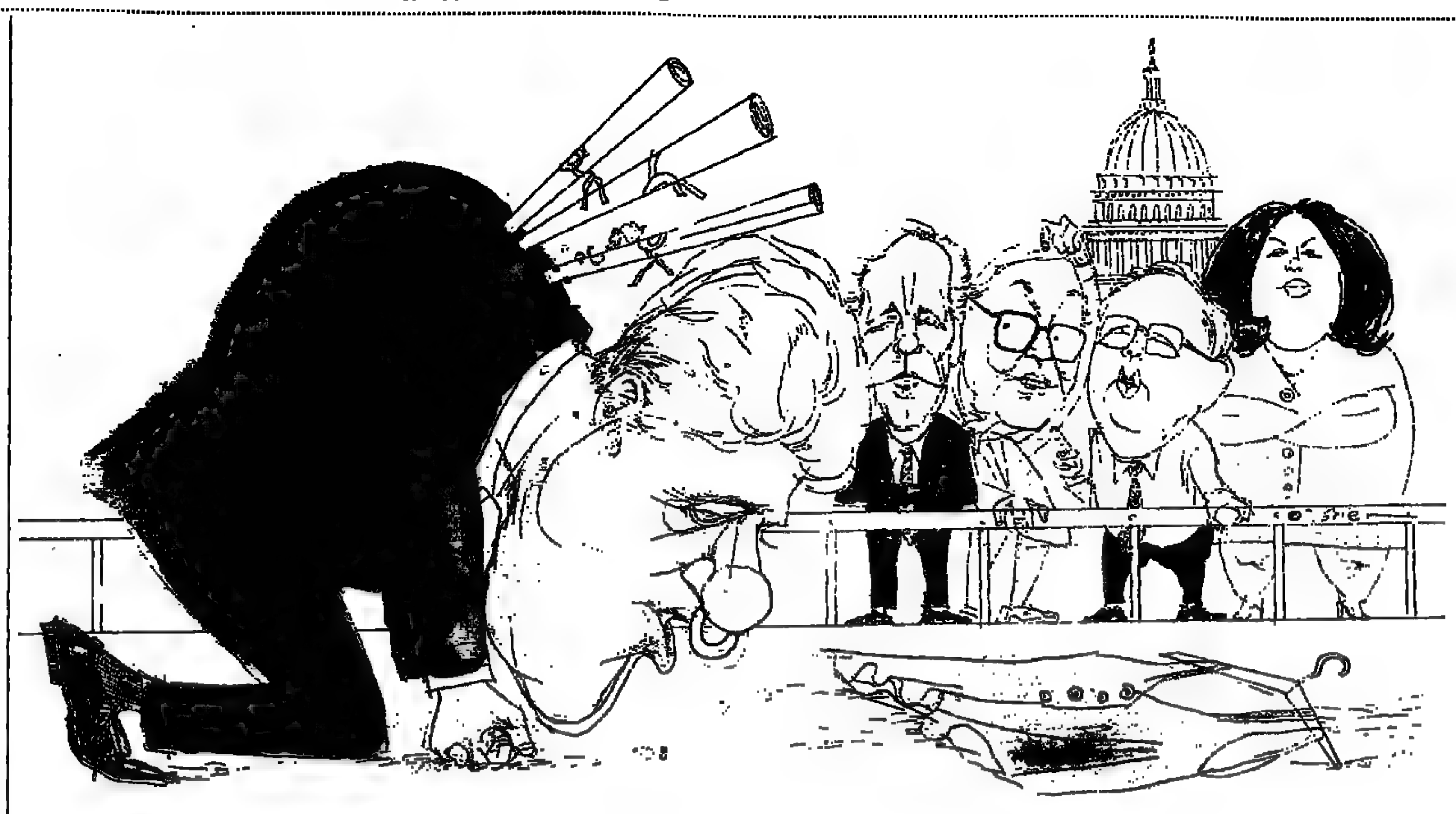
Second, to what extent is BSkyB a dominant distributor? This might seem to be an easier question. BSkyB is until 2001 the monopsonistic distributor of live Premiership games. It also dominates rugby and much of cricket. But its dominance may not last.

Third, would vertical integration between the sport and television be unfair on others? Such integration is common in the US, but the regulatory framework there is different. A BSkyB-owned Man Utd could certainly cause problems for rival bidders for TV rights after 2001, but it would not have a veto. Man Utd could threaten to go it alone with its new Sky channel. With the launch of terrestrial digital television, it is possible that by 2001 all teams will do the same. Indeed, BSkyB may want to buy the club as insurance against losing its grip.

The government has already asked the Restrictive Practices Court to investigate whether the Premiership should be allowed to negotiate as a cartel on broadcast rights. Peter Mandelson, secretary for trade and industry, is right now to start an investigation into competition issues arising from a Man Utd bid.

Indeed, a wider look at football regulation may be warranted. This proposed takeover would be just one example in a trend in which plans to maximise the profits of a small group of powerful commercial interests could threaten the very competition that makes the game so popular. The proposed breakaway European super league similarly suggests that the balance of power in recent years has tipped decisively in favour of financial interests.

Companies have priorities that are very different from those of the supporters, whose passion for the game is the basis of any financial success. The government last year appointed a Football Task Force, to report on the interest of fans in the modern game. It is now time for a full inquiry, probably by the Monopolies and Mergers Commission. Ultimately a special regulator might be needed: Offside. To many, football is just as important as trains or electricity.



The matadors close in

US political and public opinion has begun to shift sharply, though not decisively, against Bill Clinton, says **Mark Suzman**

The US Congress formally returns to work today for a session that could conceivably end with the impeachment of President Bill Clinton.

Over the past week or so, both political and public opinion has begun to shift sharply, though not decisively, against the president. Mr Clinton's personal opinion-poll ratings are starting to deteriorate. No less worrying, leaders of his own Democratic party in Congress have begun to distance themselves from the president – partly because they fear that he will be a liability in mid-term elections in November.

For Mr Clinton, this is much worse than being at odds with Republican leaders. At best, the loss of Democratic support means he will be unable govern effectively, using his influence over items of legislation in Congress. At worst, he could find himself under irresistible pressure from within his own party to resign.

For the rest of the world, there seems bound to be a period of great uncertainty. Even assuming Mr Clinton hangs on, there could well be impeachment hearings at a time of unfamiliar jitteriness in the financial markets and after a string of international crises from Russia to South-East Asia. And among the laws now at risk in the Congress is one that would ensure continued financing for the International Monetary Fund at a time of increasing fears about worldwide recession.

It is fair to say this was not what Congressional leaders anticipated when they mapped out an unusually brief legislative schedule for this autumn. The original aim was to take advantage of America's national sense of contentment resulting from the booming economy and wrap up their remaining business as quickly as possible before scurrying home to campaign for a relatively quiet election.

Instead with elections looming in November, lawmakers are preparing not only for traditional partisan showdowns over the budget and other lation, but – most important of all – what to do when Kenneth Starr, the independent counsel, delivers his report on alleged crimes committed by Mr Clinton.

Meanwhile, what once seemed certain to be a dull and uneventful election is rapidly being transformed into a poll on Mr Clinton's own character after his admission of an "inappropriate" relationship with Monica Lewinsky, a former White House worker. As more Democrats seek to distance themselves from the president, Republicans are increasingly confident they are poised to make significant gains, including the possibility of increasing their Senate seats to 60 - a number which would give the party enough votes to push through future legislation over Democratic opposition.

The turnaround has been swift. Initially, even Democrats who criticised Mr Clinton's behaviour were prepared to say the scandals were private matters which should be put aside to allow the government to go about the nation's business. That left the White House confident that as long as Mr Starr's evidence of criminal wrongdoing was largely circumstantial and Mr Clinton's public popularity held up, the party could be relied on to portray the investigation as a partisan battle. On this basis, the worst case for Mr Clinton would have been a formal expression of disapproval by Congress, most likely a vote of censure.

But since Joseph Lieberman, the Democratic Connecticut senator, criticised Mr Clinton's behaviour as immoral on the Senate floor last week, that possibility has started to fade. Although Mr Lieberman has said he believes that a public rebuke would suffice as punishment, pressure for more serious action is steadily growing – and much of it is already coming from Democrats.

Daniel Patrick Moynihan, the New York senator, said at the weekend that Mr Clinton's offences are impeachable – although he cautioned that did not necessarily mean the president would or should be impeached. However, James Moran, a Democratic representative from Virginia and a traditional supporter of the president has also now warned that hearings are probably inevitable. "I now don't think that [censure] is really an option," he said.

Even more serious, Mr Clinton is being transformed from the Democrats greatest electoral asset to their biggest liability. Six months ago the party was hopeful about taking advantage of the booming economy and a popular policy agenda to overturn the slim 11 seat Republican majority in the House of Representatives.

Now, with polls showing that while voters still broadly approve of Mr Clinton's presidency, his personal approval ratings have plummeted, Republicans have scented blood. Analysts now predict the party could increase its hold on the House by another 12-15 seats as disillusioned Democrats in marginal, socially conservative districts stay home while outraged Republicans go to the polls in larger numbers.

The picture is even worse in the Senate, where Republicans are now seen to have a chance of gaining the five seats needed to gain 60 – a number that would allow them to resist filibusters by Democrats over controversial legislation. In California, for example, Barbara Boxer, a political ally of the president who has family links to Hillary Clinton, the first lady, has seen her lead dwindle in the polls as her Republican challenger accuses her of double standards on the issue of sexual harassment.

Adding to the White House headache is the fact that the scandal is now starting to hurt vice-president Al Gore, who is already under a cloud because of a Justice department investigation into whether he misled investigators about possible campaign finance abuses in the 1996 election. Although Mr Gore has been a strong supporter of Mr Clinton since the scandal broke last January he needs the backing of the party for his planned campaign in 2000. That could require Mr Gore to begin the task of trying to distance himself from the man whose legacy he had planned to make a key electoral attraction.

The mood has become so bad that many Democratic candidates are now reluctant to be seen with Mr Clinton. Parris Glendening, the Maryland governor, has cancelled a scheduled event with the president and the White House is coming under pressure to postpone a planned fund-raising appearance in New York next week. After the House of Representatives opens, several more Democrats are expected to follow Mr Lieberman's example in the Senate.

Asked to explain his decision to speak out even when he was aware doing so could badly damage Mr Clinton, a long-time personal friend, Mr Lieberman said: "There's no way for us and the president to get back to face the problems of the country – and the uncertainty economically, the problems in the world – unless we open up the discussion of the president's misconduct, try to deal with it, hope that he can repair his presidency, rebuild the American people's trust in him and then move on." The growing worry for the White House is that it may already be too late.

Laws at stake

A possible victim of Mr Clinton's diminished authority is his legislative agenda in Congress. Five main items of legislation are legislation are at stake.

The most immediate is the federal budget for next year, which is legally required to be completed by the end of October. Mr Clinton has signalled he is prepared to veto several of the appropriations bills currently being drawn up by Republicans because they contain anti-abortion riders and deny funds for some popular programmes he supports. That has raised the prospect of a federal budget shutdown similar to one that occurred in 1995 which provided a political boost for the White House. Republicans are trying to head off such a clash and, with so many other issues on the horizon most analysts believe that both sides will reach some kind of compromise by the deadline.

Elsewhere, the legislative outlook is less promising. Although a few big laws, such as reform of the Internal Revenue Service, have been approved, other White House proposals, such as a comprehensive anti-tobacco bill, have already been shelved and others could meet the same fate:

- International Monetary Fund. Mr Clinton has asked for extra money to cope with the international financial crisis. Although the Senate has approved $18bn in extra funding the House of Representatives has proved more resistant and the money may yet be blocked by conservative Republicans.
- Trade. The White House has been pushing for a bill to provide trade concessions for African countries which reform their economies. But the Senate has combined it with "fast-track" authority for the president to negotiate new trade agreements. Fast track failed last year, and the new package is all but certain to be blocked again.
- Campaign finance reform: written off earlier this year, the issue returned after the House unexpectedly approved legislation – strongly supported by Mr Clinton – to overhaul the current system. That has prompted proponents to pledge to bring it up again in the Senate. However, while Trent Lott, Senate majority leader has agreed to bring the bill to the floor, the Republican leadership remains opposed and it will probably be defeated.

OBSERVER

Vanity publishing

A league table that places the most revered chief executive in the US below the self-styled Empress of Empathy has got to be taken with a pinch of salt. But, in the self-regarding salons of the super-rich, Vanity Fair's annual ranking of movers and shakers is watched as closely as the hemlines on Rodeo Drive.

General Electric boss Jack Welch makes the list for the first time this year, coming in at number 18 – a place below prime-time titan Oprah Winfrey. Among those on the slide is Larry Ellison, who lost enough wealth to make Croesus weep when Oracle's stock price collapsed last winter. Demoted from Vanity Fair's top 10, he now languishes at 24.

To add insult to injury, Microsoft chief nerd Bill Gates, Ellison's arch-rival for the hearts and minds of techies, tops the list for the third year in a row. His old Silicon Valley buddy Steve Jobs, the longest serving interim chief executive in the history of Apple Computer, also leap-frogs the second richest man in California and goes into 14th spot.

It seems like only yesterday that Ellison was prevaricating about mounting a bid for Apple, eventually deciding not to go ahead. Apple's stock price has since doubled on the back of its swish new iMac machine, while Oracle's still languishes. Ah, what might have been.

Running back

As the American football season begins in earnest, investors should pay more attention to the weekly scores than to the outpourings of Wall Street strategists. The Superbowl Rule is coming good again.

The rule says that when an old National Football League team wins the Superbowl, the stock market will rise over the year; when an old American Football League team wins, the market will fall.

When the Denver Broncos won in January, the omens pointed to a down year for the market – though few remembered when the Dow surged ahead in the spring. But, come September, the market *is* down on the year.

Market bulls should start cheering for an old NFL team, like San Francisco. Or face the consequences.

Corking

In keeping with the deep-rooted Spanish habit of driving through red traffic lights, several companies are pressing ahead with stock market flotations in Madrid. After a disastrous August, in which nerves sent Spanish shares spinning, the first company to come forward with an initial public offering is Federico Paternina, a well-known winery.

Veteran owner Marcos Eguizábal hopes to raise around $30m by selling a 30 per cent stake and shrugs off the market's "small setback". Santander Investment, leading the issue, reckons the shares will be easy to place. Small investors lap up wine shares as if they were free Rioja and the same seems true of institutions: analysts leaving yesterday's presentation at the Madrid bolsa were carrying bulging bags of sample product.

Talking Tokyo

Japan's diplomatic machine has swung into action to make sure that the United Nations' second-biggest contributor gets its fair share of top jobs.

Its first victory came with the appointment of Kensaku Hogen as UN undersecretary for communications and public information. Now Tokyo has high hopes that Yoshio Utsumi, its deputy minister of post and telecommunications, will be elected secretary-general of the Geneva-based International Telecommunication Union.

Japan has long smarted over the relative scarcity of its nationals in senior UN positions. Until recently, its modest contingent looked set to decline even further. Yasushi Akashi, the UN's humanitarian assistance co-ordinator, retired last year and, in July, the little-mourned Hiroshi Nakajima stepped aside after two terms running the World Health Organisation.

To redress the balance, Tokyo is considering fielding a candidate next year to head the UN Educational, Scientific and Cultural Organisation (Unesco) – the Paris-based body, which has never had an Asian in the top job. But Tokyo will not be putting up a proposed replacement for Renato Ruggiero, who retires as head of the World Trade Organisation next April. Only former ministers seem to be in the running, confides a senior Japanese diplomat, "and we do not have any suitable former ministers who speak English".

Harvest time

Where better than Thailand for the ebullient Jozsef Torgyan, Hungary's new minister of agriculture and regional development, to make his first overseas trip since taking office? Agricultural links between the two countries may be few – last year accounting for slightly more than 0.01 per cent of Hungarian agricultural exports – but there is always room for improvement.

The rotund Torgyan, leader of the Smallholders' party, decided that Thais would benefit from more Hungarian wine and cereal on their dining tables. He has formed a joint committee to promote the idea. Could mean a few more trips to Bangkok to check on progress.

The Financial Times

100 years ago

The Spanish Treasure Swindle

The Spanish treasure swindle is apparently still in full swing, notwithstanding that the fraud is obvious and has frequently been exposed. A well known gentleman in the City of London has this week received a letter from a person who claims to have been condemned as an insurgent to ten years' imprisonment. With truly affecting confidence the friendless prisoner offers – nay, begs – to be allowed to forward his trunk containing particulars of the treasure to London, and he does not ask for any pecuniary consideration. This, of course, is only the opening chapter. Anyone ill-advised enough to reply would be informed by return of post that there were freightage and warehouse dues to be paid before the trunk could be despatched.

50 years ago

Gold Rush in Wales

It is becoming a tradition for the wedding rings of our Royal brides to be made of British gold. Mines in Wales furnished the gold in the regalia of the Prince of Wales for his investiture at Carnarvon in 1911. There may yet be rewards for hardy speculators.

FINANCIAL TIMES

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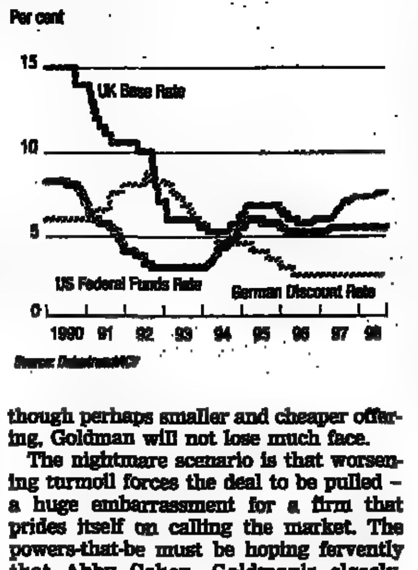
THE LEX COLUMN

Irrational hopes

Alan Greenspan to the rescue? Well, not so fast. It is, of course, comforting that the Federal Reserve chairman recognises that the US economy cannot escape global financial turmoil. But he has not yet hinted that US interest rates will fall – only that he no longer has a bias in favour of putting them up.

Mr Greenspan would certainly not want the crisis in emerging markets to trigger a recession back home. Nor, for that matter, would European central bankers. But recession in these rich economies is not yet the central scenario – both the US and Europe are likely to grow this year and next. One of the ways things could deteriorate badly would be if Wall Street tumbled further.

That might prompt US consumers, who are heavily exposed to the stock market, to tighten their belts. But it would be irrational for Mr Greenspan to try to support the Dow now when it has only fallen 18 per cent from its peak. It is, after all, still 20 per cent above the level at which he famously accused investors of irrational exuberance. Though the Fed chairman will not want a free-fall, he might secretly like a further correction.



Source: Datastream/ICV

Goldman Sachs

Nowhere has the chill of Russia's economic woes been felt more keenly than at Goldman Sachs, the elite Wall Street partnership which plans to go public in the autumn. Goldman's exposure to Russia, which it has yet to declare, is just one worry. Less quantifiable is the threat posed by prolonged market turmoil to its lucrative underwriting and mergers and acquisitions business. Early estimates of Goldman's total value of close to $30bn, around four times book value, were always ambitious. Given that the stocks of other investment banks have tumbled between 30 and 50 per cent in the past month, a target of even $20bn could now be a stretch.

Does that matter? Senior Goldman management has made much of the strategic rationale for going public, which revolves around gaining flexibility – not an immediate need for cash. Furthermore, Goldman has some room for manoeuvre. The issue is currently slated for November, but could be edged back to December. Provided it can get away a successful, though perhaps smaller and cheaper offering, Goldman will not lose much face.

The nightmare scenario is that worsening turmoil forces the deal to be pulled – a huge embarrassment for a firm that prides itself on calling the market. The powers-that-be must be hoping fervently that Abby Cohen, Goldman's closely-watched market maven who has been billing the US market sell-off as a buying opportunity, has got it right again.

Airbus

Just as the barriers to Airbus's transition to normal company status seemed to be coming down, the French government is once again throwing spanners in the works. Clearly British Aerospace's merger talks with Daimler-Benz's Deutsche Aerospace subsidiary have raised French fears of being pushed about by its British and German partners. Its response in threatening Airbus's long-awaited re-organisation is a shame. It is important that Airbus takes advantage of Boeing's current turmoil to improve its own internal organisation and profitability.

Yesterday's announcement by Noel Forgeard, Airbus's managing director, that aircraft prices will rise 3 per cent to improve profits is a welcome sign that market share may soon cease to be the be-all-and-end-all for civil aircraft manufacturers. For all the euphoria over Airbus's recent order from British Airways, losing it may ironically soon be seen as one of Boeing's now-ousted commercial aircraft president's greatest achievements. Making money from it looks to be far from easy.

French fears that a merged BAe/Dasa – controlling some 58 per cent of Airbus shares against semi-state owned Aerospatiale's 38 per cent – would wield too much clout within the new company are misplaced. The real damage to Airbus's prospects and employees will be if national pride gets in the way of the commercial decisions that need to be taken.

European soccer

The economics of European soccer have typically involved redistribution from the winning clubs to the losers. In future, the game will be more like winner-takes-all; the best and most popular clubs will receive larger slices of the revenue from television rights. Manchester United, the most popular English club with a strong following elsewhere, is well positioned to take the biggest slice. It is hardly surprising Rupert Murdoch wants to buy it.

The shift to winner-takes-all is being driven by three developments. First, clubs are increasingly selling TV rights to their games individually rather than through their national leagues. That has yet to happen in England, but it is now the practice in Italy, Spain and the Netherlands. The result is that the top teams can negotiate excellent terms, but the bottom ones face a squeeze. In Italy, for example, four popular teams have just signed a deal giving them almost as much revenue as 38 league clubs previously received.

The second development is pay-per-view TV, which again has yet to hit the UK. With pay-per-view, clubs receive revenue on the basis of how many viewers sign up to watch their games; those with the most fans receive the most revenue. Finally, there are moves to create a European super league. Again, the top clubs (those that qualify for the super league) will receive rich pickings; those languishing in national leagues will be left with scraps.

Manchester United has 18 per cent of England's football fans, according to a recent survey, but now receives less than 10 per cent of the English Premier League's TV revenues. Under a system of cut-throat competition, its slice would be much bigger. By buying it now, Mr Murdoch could be getting a bargain.

Boeing and Airbus to end struggle over market share

Aircraft rivals abandon price war to concentrate on profitability

By Michael Skapinker in Farnborough, England

Boeing and Airbus Industrie, the world's two biggest aircraft makers, are ending their decades-long battle to win market share.

Each company said separately yesterday it would concentrate on increasing profitability instead. Their moves mark a decisive change from the intense rivalry between the two manufacturers.

In interviews at the Farnborough air show, Harry Stonecipher, Boeing's president, and Noel Forgeard, Airbus managing director, said they would no longer undercut one another on price, but would concentrate on achieving a satisfactory profit on every sale.

Since its founding in 1970, Airbus, the European consortium, has vowed to overtake Boeing. It has won more than half of all civil aircraft orders this year. Boeing, which has its headquarters in Seattle, has fiercely defended its market leadership, frequently slashing prices to win orders.

Mr Stonecipher said Boeing would not worry if Airbus took more orders: "We can live with that. You bet."

Boeing last week replaced Ron Woodard, head of its commercial aircraft business, with Alan Mulally, its defence division chief.

Mr Forgeard said Airbus believed it could sustain its current level of market share, but that achieving a satisfactory profit margin would take precedence. "Our target for market share is the one that optimises returns to our shareholders. Whether that's 45 per cent or 50 per cent is not an issue for me," he said.

Airbus is owned by Aerospatiale of France, Daimler-Benz Aerospace of Germany, British Aerospace and Casa of Spain.

Mr Forgeard said the price-cutting battle had been damaging for both manufacturers, although Boeing had fared worse. He said Airbus would increase the price of its aircraft by 3 per cent. He added that the consortium, which does not publish accounts, was profitable, but needed to improve its performance.

Mr Stonecipher said that while Boeing would no longer engage in damaging price-cutting, this was not the principal source of recent losses. Last year, the company recorded a net loss of $178m – its first for 50 years. It also suffered severe manufacturing difficulties, which led to some of its production lines being closed for a month.

Mr Stonecipher said Boeing ran into difficulties because it had been "too arrogant, too distracted, or too self-satisfied".

He said Boeing was changing its executive reward system to ensure that manufacturing managers concentrated on profitability. The executives in charge of different Boeing models would be responsible for producing profits on those aircraft. Until now, the executives have been rewarded for producing the aircraft on time, regardless of whether they made a profit.

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Low crude price forces UK to shelve plans to raise North Sea oil taxes

By Robert Corzine and David Wighton, Political correspondent

The UK government yesterday abandoned controversial plans to raise more taxes from Britain's offshore oil and gas producers, because of the collapse of world crude prices.

Gordon Brown, the Chancellor of the Exchequer, said "it would not be right at this stage" to go ahead with proposed tax reforms to squeeze additional revenues from the offshore industry, which has seen oil prices slump to a 10-year low. The price yesterday was $13.06 a barrel.

The statement did not make clear whether the government would resurrect its plans should crude prices recover, though a colleague of Mr Brown said the announcement meant the offshore tax review was "scrapped for good".

In recent years the UK offshore tax regime has been viewed as one of the most attractive for international oil and gas investors. That has helped maintain the competitiveness of the industry in spite of a steady decline in the size of North Sea oil and gas discoveries.

The decision should signal the end of a prolonged spell of uncertainty in the UK oil and gas industry, which has seen a slump in exploration activity due to low prices and lack of clarity about future tax policy.

In March Mr Brown put forward two options to raise new North Sea taxes. One would have meant the re-imposition of Petroleum Revenue Tax, which was scrapped by the Conservatives in 1993. The alternative was to apply supplementary corporation tax on offshore producers to allow the government to capture more of any crude price rise. At present new fields only pay corporation tax at the basic rate.

Although Mr Brown blamed low oil prices for the policy reversal, there have been growing concerns in Labour circles about the political impact an offshore tax rise would have in Scotland. Party strategists warned that it would provide ammunition to the Scottish National Party, which is running neck-and-neck with Labour in the run-up to next year's elections for the Scottish parliament.

Alex Salmond, SNP leader, yesterday said it would have been "economic madness" to increase tax at the current level of the oil price. "Clearly, in addition to low prices, Gordon Brown and the London Treasury have been forced to see sense and back down as a direct result of the rise in support for the SNP."

Oil companies said they too were relieved, although it was not clear whether projects which have been put on hold will now go ahead.

British Petroleum, the biggest offshore producer, said it was too early to say whether work would resume on the Clair field, the UK's biggest single undeveloped oil discovery. Earlier this year BP announced the postponement of Clair, in part because of the tax uncertainty.

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Microsoft chairman Bill Gates: 'The network computer is pretty discredited', he told his audience in Paris yesterday. Page 8 Reuters

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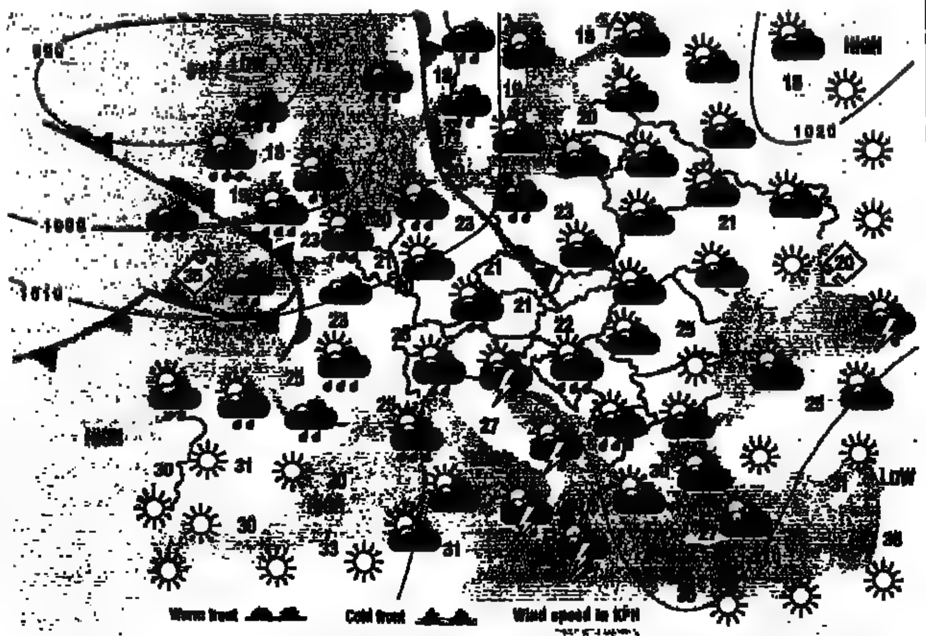
FT WEATHER GUIDE

Europe today

Southern Scandinavia will be cloudy with outbreaks of rain. The Baltic states will be dry with sunny spells but rain will edge into Poland and Czechoslovakia. Germany and the Low Countries will have showers and limited sunny spells. Rain will cross northern France. Heavy showers will break out over the Alps. The central Mediterranean will have prolonged thunderstorms, but southern Europe will hot and sunny.

Five-day forecast

Greece and the Balkans will have thunderstorms tomorrow but the Mediterranean will become dry and sunny by the end of the week. Northern Europe will be particularly unsettled with rain across the British Isles spreading into northern France and Scandinavia on Thursday and thunderstorms returning to the Alps on Friday.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	42
Accra	Fair	29
Algiers	Sun	33
Amsterdam	Shower	20
Athens	Fair	30
Atlanta	Thunder	30
B. Aires	Fair	19
B.ham	Shower	21
Bangkok	Thunder	32
Barcelona	Sun	29
Beijing	Sun	31
Belfast	Shower	19
Belgrade	Shower	28
Berlin	Rain	23
Bermuda	Shower	30
Bogota	Fair	19
Bombay	Rain	32
Brussels	Shower	21
Budapest	Shower	22
C.hagen	Rain	20
Cairo	Sun	35
Caracas	Fair	33
Cardiff	Shower	20
Casablanca	Fair	25
Chicago	Thunder	19
Cologne	Shower	22
Dakar	Fair	31
Dallas	Thunder	33
Delhi	Sun	30
Dubai	Sun	41
Dublin	Shower	19
Dubrovnik	Shower	25
Edinburgh	Shower	18
Faro	Sun	28
Frankfurt	Shower	22
Geneva	Shower	23
Gibraltar	Sun	29
Glasgow	Rain	18
Hamburg	Shower	22
Helsinki	Fair	18
Hong Kong	Shower	31
Honolulu	Fair	32
Istanbul	Fair	25
Jakarta	Fair	33
Jersey	Rain	20
Johannesburg	Sun	26
Karachi	Fair	36
Kuwait	Sun	44
L. Angeles	Fair	27
Las Palmas	Sun	27
Lima	Cloudy	19
Lisbon	Sun	30
London	Shower	23
Lux.bourg	Shower	20
Lyon	Shower	25
Madeira	Fair	27
Madrid	Sun	31
Majorca	Fair	30
Malta	Thunder	29
Manchester	Shower	21
Manila	Thunder	33
Melbourne	Cloudy	16
Mexico City	Cloudy	28
Miami	Thunder	33
Milan	Rain	25
Montreal	Shower	18
Moscow	Fair	18
Munich	Shower	22
Nairobi	Fair	25
Naples	Thunder	29
Nassau	Thunder	33
New York	Thunder	23
Nice	Shower	28
Nicosia	Sun	31
Oslo	Rain	18
Paris	Cloudy	23
Perth	Fair	23
Prague	Shower	21
Rangoon	Cloudy	31
Reykjavik	Rain	11
Rio	Thunder	24
Rome	Thunder	27
S. Frsco	Fair	25
Seoul	Fair	26
Singapore	Thunder	31
Stockholm	Fair	19
Strasbourg	Shower	22
Sydney	Fair	19
Tangier	Sun	28
Tel Aviv	Sun	38
Tokyo	Fair	27
Toronto	Fair	18
Vancouver	Shower	16
Venice	Shower	24
Vienna	Rain	21
Warsaw	Fair	29
Washington	Thunder	24
Wellington	Fair	12
Winnipeg	Sun	20
Zurich	Shower	21

FINANCIAL TIMES

COMPANIES & MARKETS

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INSIDE

Société Générale de Surveillance seeks new board and chairman

Société Générale de Surveillance, the world's biggest inspection and testing company, is seeking a new chairman and board of directors following a 91 per cent drop in first half net income to SFr10m ($6.5m). The company, which expects to make a "substantial net loss" for the full year, rushed out its results a week ahead of schedule and announced it was calling an extraordinary meeting for October 13.

Northrop open to European link-up

Northrop Grumman, the US defence contractor, would be interested in an alliance with a European company, said Kent Kresa (left), chairman. But the possibilities for such an arrangement would depend on the attitude of governments. He predicted a prosperous and independent future for Northrop following the collapse of its proposed acquisition by Lockheed Martin. Page 23

Pernod-Ricard looks to exports

Pernod-Ricard sparked a storm of protest when it acquired Jan Becher, the Czech distiller, last year. Though its Becherovka liqueur is a well established brand, domestic sales were weaker in the first quarter. But the French drinks group sees exports as the key to success. Page 22

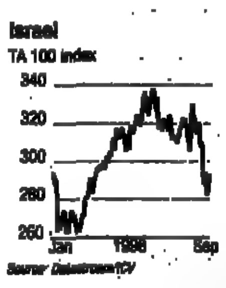
Berlian's profits steam ahead

Berlian Laju Tanker, the Indonesian shipping company, is steaming ahead while most of the country's conglomerates are sinking. Its liquid cargo shipping business reported a tenfold increase in net profits for the first half. Page 24

ISMA condemns interest tax plans

The International Securities Markets Association, trade association for the bond markets, condemned as "extremely damaging" European Union plans for a 20 per cent withholding tax on interest payments in Europe. Page 26

Tel Aviv appears to weather storm



Israel can count itself lucky that it has not caught too bad a dose of the contagion affecting emerging markets. The TA 100 and the Maof-25 indices have declined by 9 per cent recently. Yet analysts believe the Tel Aviv bourse has so far weathered the storm. They say there is no reason why investors should not return because the fundamentals remain sound. Page 40

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MARKET STATISTICS

SETBACK FOR O.TEL.O AS GERMAN JOINT VENTURE REJECTS US GROUP'S TERMS AND ABANDONS YEAR-LONG NEGOTOTIATION

Veba-RWE end BellSouth talks

By Ralph Atkins in Bonn and Tracy Corrigan in New York

Veba and RWE, the German industrial conglomerates, have abandoned plans to bring BellSouth, the US telecoms group, into their telecoms joint venture, o.tel.o, in another setback to their push into the newly liberalised German market.

The collapse of negotiations, announced yesterday, followed more than a year of talks. BellSouth would have replaced Cable and Wireless of the UK, which quit the Veba-RWE partnership in February 1997.

O.tel.o – which has now given up seeking an international partner – hopes to become one of the main challengers to Deutsche Telekom, the former monopoly. But a series of strategic mistakes led to the departure earlier this summer of Ulf Bohla, chairman, and to the group being wrong-footed by competitors.

It started public voice services only in March, while Germany's low "interconnection" rate – the price set for linking networks with Deutsche Telekom – has reduced the value of o.tel.o's heavy investment in infrastructure.

In addition, a price war in the German telecoms market would have reduced the attraction of a stake in o.tel.o, which cut its prices by up to 37 per cent last month.

"It is a more challenging investment prospect – to put it tactfully," said Peter Roe, telecoms analyst at Paribas in London.

O.tel.o is currently drawing up a new business plan. Mr Roe added: "The telecoms industry is moving at a much faster rate than the decision-making processes of Veba and RWE can cope with."

BellSouth is understood to have demanded safeguards that would have allowed it to leave the venture easily if expectations were not fulfilled.

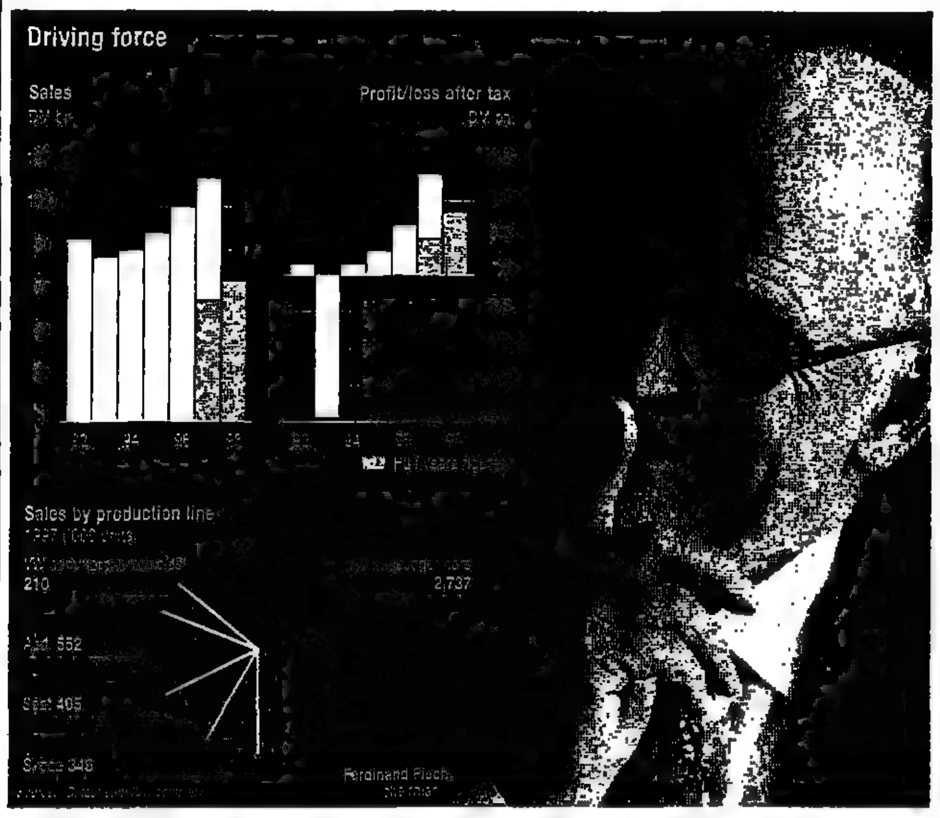
Under an outline deal announced in April, BellSouth would have received a 15.5 per cent share in o.tel.o in return for bringing into the joint venture its 22.5 per cent share in E-Plus, the mobile telephone company that is already 60.3 per cent owned by o.tel.o.

However, Veba and RWE made clear yesterday they were not prepared to accept BellSouth's terms. Instead, the 22.5 per cent stake in o.tel.o, held in reserve by Veba since C&W left, will be split between the two groups with RWE paying DM1.2bn ($660m) next July to increase its stake to 49 per cent.

Those close to the talks with BellSouth suggested that the US group, facing pressure in its home market, had shied away from an "offensive" investment overseas.

BellSouth declined to comment on details of the talks, but said the companies would continue to explore possible synergies between o.tel.o and E-Plus. It said there were currently no plans to sell BellSouth's stake in E-Plus.

Veba and RWE said they believed co-operation between o.tel.o and E-Plus could still be intensified. The new management of o.tel.o expects start-up losses of DM2bn this year.



Piëch's hints and claims fail to secure a truck maker for VW

By Haig Simonian in London

Analysts' reactions have varied from derision to resignation at the latest efforts by Ferdinand Piëch, Volkswagen's unpredictable chairman, to expand his empire.

Recent comments by Mr Piëch that VW could buy up to 25 per cent of rival German carmaker BMW prompted a swift denial from the taciturn Quandts, BMW's controlling family. A spokesman dismissed as "false" his suggestions that some family members wanted to sell.

The spat was the latest incident in which the autocratic Mr Piëch has upset his rivals with apparently groundless claims.

For the past nine months, he has been the bane of Europe's truckmakers after regularly hinting VW was poised to buy a big commercial vehicles group. Germany's MAN and Sweden's Scania and Volvo have all issued denials at one time or another.

At this month's Hanover truck show, it fell to Bernd Wiedemann, VW's head of commercial vehicles, to set the record straight. Mr Wiedemann did not contradict his boss: heads have rolled for less. But he noted VW could choose between a takeover, negotiating a joint venture or going it alone. Of the three, the last was the most likely, he implied.

Mr Wiedemann will not comment on VW's rumoured acquisition talks. Analysts believe negotiations have taken place with various manufacturers. As with cars, the commercial vehicles industry is rife with speculation about consolidation. Most manufacturers admit they are talking to others.

Mr Piëch wants to build trucks because he thinks that will reduce VW's dependence on cars, where demand swings in steep cycles. He sees economies of scale in commercial vehicles as VW already makes trucks and buses in Brazil.

However, none of Mr Wiedemann's three options is ideal. A takeover would provide market share and an instant dealer network.

VW's attempts – real and rumoured – to buy a truckmaker have been fruitless, although none has brought quite the vehement reaction of the Quandts. VW attributes their reluctance to the buoyant market. US sales are booming and even in Europe demand has far exceeded expectations. That has reinforced some manufacturers' resolve to stay independent, and pushed up prices for those, such as Scania, which might be for sale. "Of course, there's an entrance fee," admits Mr Wiedemann.

Matters have been complicated by recent stock market volatility. The precipitous fall in VW's stock has reduced the attractions of an all-paper deal to a potential vendor.

Joint ventures have proved no more fruitful. For some months, VW worked with Scania on plans for a new medium-weight truck. However, that effectively collapsed when the Swedish group became disillusioned with its potential partner's repeated claims it wanted to acquire rather than co-operate.

Hence VW's current focus on developing trucks independently. That, says Mr Wiedemann, will also provide time to build up a specialised sales network.

But he admits VW's own priorities have also shifted. While trucks remain important, VW is focusing on its plans to develop a new sports utility vehicle with Porsche.

With demand for such high-margin products booming, attention has moved away from heavy trucks. But, knowing the restless Mr Piëch, it will probably not be long before reports of an imminent takeover resurface.

PepsiCo sells off Polish chocolate business for $77m

By John Willman in London and Christopher Bobinsky in Warsaw

PepsiCo, the US drinks and snacks group, has sold the chocolate business of Wedel, its Polish subsidiary, to Cadbury Schweppes, the UK confectionery and soft drinks group, for $76.5m in cash.

The acquisition means that Cadbury Schweppes is now Poland's largest chocolate producer, with 28 per cent of the market – ahead of rivals such as Nestlé, Mars and Kraft Jacobs Suchard.

PepsiCo is also in negotiations with a second UK group, United Biscuits, over the disposal of the Wedel biscuit operation. The two Wedel businesses were expected to bring in around $200m when they were put up for sale in June.

The disposal is part of PepsiCo's strategy of focusing on soft drinks and salty snacks. The US group said it planned to invest another $200m over the next few years in Poland to expand its Frito-Lay snacks operations and its Pepsi Cola drinks business.

PepsiCo bought a 40 per cent stake in Wedel in 1991 for $24m and acquired the remaining shares this year. The sale of its biscuits operation to United Biscuits would complete a complex package of deals between the two companies that began last year when UB sold The Smiths Snackfood Company of Australia to PepsiCo. At the same time UB acquired Biscuiterie Nantaise, PepsiCo's French biscuit subsidiary. The two deals resulted in a net payment to UB of $410m, payable in instalments.

The two companies are still haggling over a price for the Wedel biscuit operation, but, if agreement is reached, the amount owed to UB by PepsiCo would be reduced to cover the payment.

UB currently has under 20 per cent of the Polish market through the 80 per cent stake in San, the biscuit maker, it bought in 1994 for £19.1m ($32m), against competition from Bahlsen of Germany and BSN, the French group now known as Danone. San is based at Jaroslaw in the south-east of Poland, close to the border with Ukraine.

Acquisition of the Wedel biscuits division would give UB a market share of more than 40 per cent, which could fall foul of the regulators. There is concern in Poland over the domination of consumer markets by western groups.

Poland is one of the largest markets for chocolate bars in Europe. Sales of chocolate have been growing at an average of 17 per cent a year since 1990. Wedel's Warsaw confectionery factory, with 1,100 employees, produced sales of 302m zlotys ($81m) last year.

The sale of both Wedel businesses is being handled for PepsiCo by ABN Amro Corporate Finance, part of the Dutch banking group.

Competition authorities would look at BSkyB soccer bid

By Patrick Harverson, David Wighton and Cathy Newman in London

Britain's Office of Fair Trading will scrutinise any proposed takeover of Manchester United football club by BSkyB, the satellite broadcaster that is part of Rupert Murdoch's media empire.

Although BSkyB and the UK's biggest football club said no agreement had been struck, shares in the club leapt 47½p to 206½p on the stock market. Analysts believe BSkyB could offer as much as 220p a share for the team, valuing it at just under £575m.

However, BSkyB, which is 40 per cent owned by Mr Murdoch's News Corporation, may face competition. Enic, the leisure group with interests in several European football clubs, is considering mounting a rival bid for team.

The group is believed to have contacted Time Warner, the US entertainment group, which is a shareholder in Enic and a likely backer of any offer for the club. Enic may wait until the UK government has decided whether to refer a BSkyB takeover to the competition authorities before making an offer.

Peter Mandelson, the industry secretary who will decide on any Monopolies and Mergers Commission inquiry, said any BSkyB bid would be scrutinised by the OFT. "If a bid goes ahead, it will be notified to the director general of fair trading and he will look at it very completely and extremely searchingly," he said. The OFT would advise him on the need for an MMC investigation.

Conscious of the popular opposition to a takeover by BSkyB – which owns the exclusive television rights to live Premier League football – ministers have openly expressed concern.

Tony Lloyd, the foreign office minister who is a Manchester MP, said: "There are concerns that Mr Murdoch and his broadcasting empire already control a large part of live football. Manchester United as a premier team may get a degree of control which is unhealthy for the ordinary supporter."

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Billiton bids for rest of QNI as profits beat expectations

By Kenneth Gooding, Mining Correspondent

Billiton, the UK-based international metals and mining group which listed in London in July last year, yesterday reported maiden profits at the top end of expectations.

It sprang a surprise A$373m ($230.2m) bid for the 47.6 per cent of Australia's QNI it does not own. QNI is the world's fifth largest nickel producer.

Billiton's pre-tax profits reached US$838m for the year to June 30 against $943m in the previous 12 months, a year when there were $230m of exceptional profits from the sale of non core assets. There were no exceptional items in the year to June.

Attributable profit was $481m against $537m but, when exceptional items were excluded, there was a 44 per cent increase, from $335m to $481m. Earnings per share were 22.9 cents (35.3 cents). Billiton is paying a 7 cents final dividend making 10¼ cents for the year.

Billiton merged its nickel interests with QNI a year ago and has 52.4 per cent of the enlarged group. It is taking advantage of a combination of low currency and low commodity prices to make an offer it believes is attractive to minority shareholders.

It said its 90 Australian cents a share offer for QNI represented a 34 per cent premium on the weighted average trading price of 67 cents in the past three months.

QNI shares closed 4 cents, or 6.3 per cent, higher at 68 cents on Friday. The shares have been down to 56 cents in 1998 but in May last year were A$2.31.

QNI said the offer was unsolicited and advised shareholders to take no action for the time being.

Billiton shares yesterday reached 128½p at one point before easing back to close 4½p, or 3.7 per cent up, at 126½p.

Billiton also also unveiled a scheme that will enable it to start buying its own shares in October, as soon as shareholders give approval, instead of having to wait for UK advanced corporation tax changes in April.

Brian Gilbertson, chairman, also revealed that Billiton had won the support of Liberty Life of South Africa for its R2.97bn ($460m) bid for the minority holdings in Ingwe, the world's biggest thermal coal exporter.

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OPTIONS TRADING DUTCH GROUP FORCED TO ACT TO COVER SUBSIDIARY'S INDIRECT EXPOSURE TO AKZO NOBEL SHARES

ING injects Fl 50m into clearing offshoot

By Gordon Cramb in Amsterdam

ING, the Dutch financial group, has had to inject some Fl 50m ($25m) into a clearing subsidiary on the Amsterdam options exchange after a big market-maker ran into liquidity problems.

The ING unit, called Extra Clearing, was hit by an indirect exposure to Akzo Nobel, the chemicals group. Shares in Akzo stand 40 per cent below their mid-July peak, falling Fl 1.30 yesterday to Fl 77.50.

That latest decline was attributed to the forced sale of a large block in Arnhemsche, a tax-efficient Dutch vehicle for holding Akzo shares, by Goed Gedaan Options.

Goed Gedaan, controlled by the 30-year-old Allard Jakobs, had in the past three years grown to rank among the top five players on the city's options and futures market.

Yesterday ING said it would no longer have Goed Gedaan as a customer of Extra Clearing, where it was also bolstering management. It added that one other client, which it refused to name, had an exposure which was being covered by the capital injection.

"You can say we have previous experience in managing positions that have gone wrong," ING said. The group rescued Barings of the UK in 1995 after its capital was wiped out by the illicit derivatives trading of Nick Leeson in Singapore.

Amsterdam Exchanges, operator of the Netherlands' equity and derivatives markets, said there were "no further precautions" needed after the amount provided by ING.

The banking and insurance group took full control of Extra Clearing last year. Goed Gedaan – whose name means "well done" – was one of its biggest clients.

Last December Mr Jakobs declared an interest of more than 5 per cent in Arnhemsche, which in turn controls some 11 per cent of Akzo. Shares in Akzo have fallen recently because of the turmoil in world markets and cyclical uncertainties for the European chemicals industry – as well as worries over how the company was to refinance its acquisition of Courtaulds in the UK.

Akzo said yesterday that planned divestments would cover a significant part of the roughly Fl 6bn purchase cost, and no share issue was immediately in prospect.

But problems worsened last week for Goed Gedaan as the spread widened between the value of Akzo and Arnhemsche shares.

The holding of some 15m shares, which had allowed it to avoid dividend tax, was sold yesterday as trading volume in Arnhemsche reached nearly 200 times the recent daily average.

Pernod-Ricard hopes to cheer spirited Czechs

French drinks group sees exports as key to success in republic, writes **Robert Anderson**

When Pernod-Ricard added the liqueur Becherovka to its portfolio of brands last year it could not have anticipated the storm of protest the acquisition would arouse in the Czech Republic.

Rival bidders in the privatisation tender for Jan Becher, the distiller, complained that the Kč2bn ($64.8m) offer by the winning consortium – in which the French drinks company holds 40 per cent – had not been the highest and that its business plan was the worst.

Newspapers hinted of a deal stitched up between the three parties in the governing coalition and speculated about the political influence of Karl Schwarzenberg, the Czech aristocrat who owns 20 per cent of the consortium.

The incoming Social Democrat government has also indicated that it wants to take a closer look at the company's privatisation.

"Our privatisation came when the atmosphere was pretty heated," says Alan Walden-Jones, chairman and chief executive of Jan Becher and former business development director at Pernod-Ricard.

He says that last September's sale was caught up in the backlash against other unpopular privatisations and in mounting speculation about cabinet corruption which eventually led to the fall of the government.

But he admits that the privatisation was bound to be sensitive because "Becherovka is to some extent national property". Although the drink has only 10.5 per cent of the domestic spirits market, it is the only liqueur with a big export demand and it has a long history and a well established place in Czech life.

The herb-based drink was first made in 1807 by an apothecary as a gastric medicine to accompany cures at the elegant west Bohemian spa town of Karlovy Vary, then known as Karlsbad.

Mixing your drink: the secret recipe is still believed to ward off colds

The "13th spring of Karlovy Vary" is now drunk as an aperitif, digestif or used as a mixer, and the secret combination of herbs, local spa water and maturation in oak barrels is still believed by Czechs to aid digestion and ward off colds.

Its international reputation is such that the bitter-sweet liqueur could even be sold during prohibition in the US because it was classified as medicinal.

"Becherovka is one of the world's most solidly established local brands," says Mr Walden-Jones. It therefore fits Pernod-Ricard's strategy of acquiring local brands with regional export potential and whose distribution networks can be used to sell Pernod-Ricard's global brands.

"We purchase networks which are leading brands in their own countries," says Alain-Serge Delaitte, head of communications.

Last year, Pernod-Ricard bought Larios, the Spanish gin maker, and in June, the Yerevan brandy company in Armenia. Its plan for the new brands is to match its success with the Italian liqueur Ramazzotti, which now sells more in Germany than at home.

Since it bought Jan Becher, Pernod-Ricard has concentrated on improving the production flow and marketing, restructuring the finance departments and creating its own distribution network.

Plzensky Prazdroj, the country's biggest brewer, lost its exclusive distribution contract and is now only one of the distributors the company uses. Pernod-Ricard was also able to close its own distribution company and merge it into Jan Becher's new network.

The company's net profit rose 8 per cent last year to Kč149.6m on revenues up 12 per cent at Kč848m. Domestic sales increased 3.7 per cent to 8.6m litres, but are weaker in this year's first quarter because Czechs are spending less and imported brands continue to make inroads thanks to big advertising campaigns.

Mr Walden-Jones says a 20 per cent rise in excise tax is not helping and that it threatens Pernod-Ricard's ability to meet the secret sales targets in the privatisation tender.

"The privatisation targets are perfectly reasonable and achievable if the Czech market remains the same size it was in 1997," he says. "But it hasn't."

The company hopes exports, using the Pernod-Ricard network, will make up the difference. Exports rose 5.7 per cent last year but are still only 12 per cent of unit sales and 9 per cent of revenues.

Pernod-Ricard wants to increase sales in western and eastern Europe, although it says low incomes and high import duties will hold back sales among the Czech Republic's neighbours.

It has restarted exports to Russia, where, like other Czech brewers, the company sees great potential as Czech products have traditionally had a good reputation.

Becherovka used to be well known in Russia before former President Mikhail Gorbachev killed sales with his anti-alcohol campaign in the mid-1980s.

However, the company faces a serious problem in Germany – the liqueur's biggest market after the Czech Republic and Slovakia – owing to a trademark dispute with Underberg, a German drinks company.

Underberg obtained the secret recipe from a member of the Becher family and its exclusive right to the trademark has been supported by German courts.

Talks have yet to start between Jan Becher's new owners and Underberg, but Mr Delaitte says: "Germany is certainly one of the countries we would like to export to."

Pernod-Ricard says that it plans eventually to double last year's sales of 9.75m litres by expanding exports.

"I see no reason why we could not sell 2m cases [18m litres]," says Mr Walden-Jones. "It is achievable in well under 10 years."

Such a level of success might allow Czechs to forgive it for buying their national liqueur.

Anglo American in R4bn zinc plan

By Victor Mallet in Johannesburg

Anglo American Corp, the South African mining house, plans to spend R4bn ($643m) developing the Gamsberg zinc deposit in the Northern Cape.

The move shows the group remains undeterred by slack demand for base metals in the aftermath of the Asian financial crisis.

Last week Anglo agreed to buy the 55 per cent of Gamsberg Zinc Corporation that it does not already own for R165m in cash from Gold Fields of South Africa, the former conglomerate that will shortly cease to exist after selling its remaining assets or spinning them off to shareholders.

Anglo may also acquire 55.4 per cent of Black Mountain Mineral Development Company from GFSA and its associates for R155m cash.

Julian Ogilvie Thompson, Anglo chairman, said the depreciation of the rand and the application of new technology should ensure attractive returns from Gamsberg, even though the deposit was low grade.

Anglo said Gamsberg's cash operating costs, including minor income from by-products, should be about 30 US cents per pound of zinc, making it one of the lowest-cost producers.

Gamsberg has about 90m tonnes of ore reserves at a zinc grade of 6.34 per cent, meaning it could produce 200,000 tonnes of zinc a year for more than 25 years.

The project is likely to employ about 2,000 people, boosting the depressed economy of the Northern Cape.

An important element of Anglo's plans is the use of more efficient processing technology. The company will evaluate new processes in association with Mintek, the partially government-funded research organisation, culminating in a pilot project next year. Assuming that results are positive, the mine would be in production towards the end of 2002.

DaimlerChrysler to be biggest in DAX index

By Graham Bowley in Frankfurt

DaimlerChrysler, the new US-German group, will become the biggest company on Germany's stock exchange, overtaking Allianz, the insurer, when trading of its shares begins this year.

The Deutsche Börse, Germany's main stock exchange, said yesterday DaimlerChrysler would account for 14 per cent of market capitalisation of all companies listed on the chief DAX stock exchange index.

Allianz accounts for 9.8 per cent of the DAX at present, and Daimler-Benz 7.8 per cent.

The announcement came as Daimler-Benz, Germany's biggest industrial group, which is merging with Chrysler of the US, said strong first-half sales growth continued into the second half of this year.

Group sales in the first seven months of this year increased 21 per cent to DM79.5bn, it said.

The group repeated that it expected full-year sales to rise to DM140bn, compared with DM124bn last year.

The company said it saw the positive earnings development from the first half of this year also continuing at the beginning of the second half of 1998.

Daimler's passenger car division increased sales by 23 per cent to DM36bn in the first seven months, it said yesterday. Sales in Japan had been hit by the country's financial and economic crisis.

Wheel of fortune: Jürgen Schrempp in the new Mercedes S-class AP

The number of new car registrations in Japan dropped 5 per cent to 23,900 units.

Despite the setback in Japan, the strong growth in the Mercedes-Benz car division reflects the continued importance of the car group at the centre of Daimler-Benz.

After record losses earlier this decade, Jürgen Schrempp, chairman, restructured Daimler by cutting jobs and jettisoning unprofitable activities to concentrate on core businesses, of which Mercedes is arguably the most important.

Daimler yesterday unveiled a new edition of its top-range Mercedes-Benz S-Class car.

Daimler shareholder are due to hold a special meeting on September 18 to vote on the merger with Chrysler. If they approve the merger and agree to the terms on which shares are to be exchanged, the new group's shares would then be listed shortly afterwards.

The Deutsche Börse said that the new DaimlerChrysler shares were expected to be listed in Frankfurt first.

NEWS DIGEST

TEXTILES

Lenzing parent revamp helps return to profit

Shares in Lenzing, the Austrian fibremaker, rose nearly 9 per cent yesterday after the group reported a return to profit for the first half after losses last year. Lenzing also said it was expecting a "positive" full-year pre-tax profit, after a loss of Sch653m ($53.5m) in 1997, but warned that earnings growth in the second half would be "considerably weaker" because of difficulties in Asia. First-half net profit was Sch186m, broadly in line with expectations, and reversed a loss of Sch173.6m in the same period last year. Sales were Sch4.2bn against Sch3.97bn.

Lenzing attributed the strong improvement to very good results by the parent company as the restructuring of Lenzing Fibers, its US business, took effect. However, it warned that the world textile market would soften in the second half, on very weak cotton and polyester fibre prices and the pressure on yarn prices in Asia.

This would be partially offset by stable demand in Europe for its viscose products. The group's specialisation on rayon and modal production allowed it to detach itself from the pricing pressures seen on standard viscose fibre products. **Agencies, Vienna**

UTILITIES

Bouygues in talks over unit

Bouygues, the French construction and utilities group, yesterday confirmed it was in talks with General Public Utilities of the US "and others" about the sale of a minority share in its Saur water distribution and public services subsidiary.

Bouygues said in April it wanted a transatlantic partner for Saur to help it develop in the North American market. Martin Bouygues, chairman, has said he is looking for an industrial operator which would come into Saur with a minority stake. Bouygues' desire to retain majority control may be offputting to GPU, a US east coast electrical company which operates the Three Mile Island plant made famous by a 1979 nuclear accident, and to Enron, the US energy company also believed to be interested in Saur.

There is also speculation that in its efforts to resist the takeover attentions of Vincent Bolloré, the French entrepreneur, Bouygues could sell most or all of its 84 per cent share in Saur. **David Buchan, Paris**

STEEL

Demand lifts Boehler-Uddeholm

Boehler-Uddeholm, the Austrian maker of high-grade steel, said strong demand for special steels in Europe and the US helped boost first-half profits. The group, one of Austria's largest companies, said pre-tax profit increased 50 per cent to Sch675m ($55m) in the first six months of 1998, in line with expectations, while net profit before minority interests jumped 60 per cent to Sch513m.

Business was strong in the first quarter and slightly improved in the second, due to "strong demand for special steels and special steel products mainly in Europe and the USA," the company said. The company reported excellent demand in the first six months with incoming orders up 26 per cent at Sch7.34bn, "the highest order intake for a half-year to date for the group".

Boehler-Uddeholm said it aimed to achieve a 1998 operating profit comparable to the levels gained during the record year for steel in 1995, when the figure was Sch1.5bn. Operating profit for the first half rose 40 per cent to Sch774m. Turnover was Sch9.66bn, up 10 per cent. Shares in Boehler-Uddeholm closed at Sch605 on the Vienna stock exchange. **Reuters, Vienna**

COPPER PRODUCTS

KM Europa rides out price dip

KM Europa Metal, the world's largest supplier of finished and semi-finished copper and copper alloy products, said yesterday that a 26 per cent rise in first-half profits put it on course for a 15 per cent increase for the full year.

Pre-tax profits at the German group, which is controlled by SMI of Italy, rose to DM88m ($50.7m) against DM70.1m in the corresponding period of 1997. Revenues totalled DM2.04bn, down from DM2.11bn last time. "The result is in line with the previously announced forecast for the full year of 1998 of plus 15 per cent before tax," KME said. Pre-tax profits were DM150.8m in 1997.

New orders during the first half grew by 8.1 per cent and KME said there had been a "modest improvement in European domestic demand". All divisions contributed to increased profits and first orders for euro coin blanks were "in line with expectations".

KME said it had not been affected by a sharp downturn in copper prices. "KME companies pass through to end users the actual market price of the metal used. As a result the company is not primarily affected by these changes," it said. **Agencies, London**

INFORMATION TECHNOLOGY

Belgian group soars 105%

Real Software, the Belgian software group, yesterday said first-half 1998 earnings soared 105 per cent and predicted full-year revenues and profits would increase by at least 75 per cent over 1997. "[At] the beginning of the year we said we would have growth of 50 per cent," said Rudy Hageman, president. "We now see a minimum of 75 per cent growth for revenues and profits." In 1997 the group made a net profit of BFr108.23m on revenues of BFr1.61bn.

First-half group net profit this time rose to BFr80.7m ($2.3m) from BFr39.4m in the same period a year earlier. Revenues rose 127 per cent to BFr1.61bn. Earnings per share rose 95 per cent to BFr6.2 from BFr3.2. The company, which made three purchases in the first half, said it had made two additional acquisitions – a 51 per cent stake in Belgium-based Connect and a stake of 50 per cent plus one share in France-based Orlam – and was in talks on a further two. **Reuters, Brussels**

EGYPT

Domestic sales boost brewer

The Al Ahram Beverages Company (ABC), the Egyptian brewer which was privatised in 1996, has reported a 20 per cent rise in 1997 profits, to E£106.1m ($31.2m), which it attributed to greater efficiency and a 13 per cent increase in domestic sales. Earnings per share were E£15.01, up from E£11.98 in 1997.

The company is close to sealing the E£104m acquisition of the state-owned wine producer Gianicles. Like ABC before its privatisation, the vintner has a local monopoly. ABC is now expanding distribution of alcoholic products in sub-Saharan Africa. It also plans to expand its sale of non-alcoholic products in the $100m Saudi Arabian market, in alliance with Guinness, the brewing division of Diageo. **Mark Huband, Cairo**

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DEFENCE CONSOLIDATION DEPENDS ON GOVERNMENT ATTITUDES

Northrop open to European alliance

By Alexander Nicoll, Defence Correspondent

Northrop Grumman, the US defence contractor, would be interested in an alliance with a European company but the possibilities for such an arrangement would depend on the attitude of governments, Kent Kresa, chairman, said yesterday.

In an FT interview at the UK's Farnborough air show, Mr Kresa mapped out a prosperous and independent future for Northrop following the collapse earlier this year of its proposed acquisition by Lockheed Martin, which was blocked by the US government.

Though he would not discuss any specific potential links with other companies, Mr Kresa said: "We're always looking at what might be of interest. We are speaking to all our colleagues [in the industry] to see if there would be areas of interest or co-operation."

He added: "There has been some talk of transatlantic teaming, but it may be premature. We have to understand how our governments feel before those things become a reality."

General Electric Company and British Aerospace have both expressed interest in Northrop following the failure of the Lockheed deal. However, they and US companies say they are confused about Washington's attitude to mergers.

Mr Kresa said: "It is more difficult than it was before to feel assured that you would be able to do a merger or acquisition. We're all feeling our way here." It was also unclear what attitude European governments would take to any transatlantic deal.

He said Northrop would continue with plans it had before Lockheed's approach. "We believe we have very good prospects."

Last week the company announced plans to cut 8,000 jobs, or about 15 per cent of its workforce, by 2000, as a result of the winding down of its B-2 stealth bomber activities and lower demand for its commercial aircraft products.

Northrop might make acquisitions in the areas of defence electronics and information technology, Mr Kresa said, and any divestitures it made would be small.

In a separate interview, Vance Coffman, chairman of Lockheed Martin, said the US government's decision on Northrop did not mean that defence consolidation was over, though he acknowledged it was difficult to foresee deals of a similar size.

However, Lockheed saw opportunities for rapid growth in some of its businesses, especially in those related to satellites, including launch vehicles, telecommunications and data handling.

He said an integrated European aerospace and defence company, if created, would not be a threat to Lockheed but would offer opportunities for partnerships based on those Lockheed already has with companies such as BAe and Dasa on specific military programmes.

Kent Kresa: 'We're always looking at what might be of interest'

Court hearings begin in dispute over Sun's Java

By Louise Kehoe in San Francisco

Sun Microsystems and Microsoft come face to face in a Californian courtroom today as hearings start in a bitter dispute between the two over Java, Sun's technology for creating software that can run on any type of computer.

With the hearings in San Jose scheduled to continue until Thursday, the court will consider Sun's request for an injunction, forcing Microsoft to halt shipments of Windows 98 – the latest version of its personal computer operating system – unless the software is modified to include the original version of Java.

The outcome could have a broad impact on companies developing new programs for use with Windows 98. It also represents a serious challenge to Microsoft ahead of its antitrust trial, due to start later this month.

Sun, a Silicon Valley computer maker and software developer, has charged Microsoft with unfair dealing and "abusing its monopoly power in operating systems software to defeat the cross-platform compatibility of Sun's Java technology".

Java, developed by Sun, is the new *lingua franca* of the computer world. For the first time, it enables software developers to write programs that will run on any type of computer linked to the internet or a corporate network, no matter which operating system the computers use.

Sun has licensed Java technology to more than 100 software developers over the past two years. Licensees range from software start-ups to industry leaders including Microsoft.

To ensure Java remains a universal computer language, Sun insists it remain in control of any changes or improvements. In its lawsuit, Sun charges that Microsoft broke this agreement by modifying Java so it works better with the Windows operating system.

In the suit, filed last October, Sun charged that Microsoft had "deceptively modified" Java so that it worked better with Windows, effectively "co-opting" the technology to enhance its Windows monopoly. Microsoft insists Sun's claims are "not grounded in fact or in law".

Microsoft has also filed counter-charges against Sun, claiming breach of contract.

Microsoft dismissed Sun's request for an injunction when it was filed, in May, as a "publicity stunt". Since then Sun's accusations have become part of the US Justice Department's antitrust case against Microsoft.

Excite and LibertyOne in internet link-up

By Roger Taylor in San Francisco

Excite, which runs one of the most popular sites on the internet, has entered into a joint venture with LibertyOne, the Australian publisher, to provide internet portals for Australia and south-east Asia.

Internet portals are sites which guide users around the internet and provide a range of other services such as news, mail and chat.

Excite is expanding internationally through joint ventures and has already made deals in Japan and Italy, where it has linked with Telecom Italia.

Under the Australian deal, Excite will provide the framework and some of the content, while LibertyOne, part of the Fairfax group, will provide local information. The venture, which will be split 50:50, will focus on Australia initially and then expand to New Zealand, Malaysia, Indonesia and Singapore.

LibertyOne already has other internet interests including Digital Rights International, which owns the electronic commerce rights to promote celebrities such as Greg Norman.

Leading internet sites such as Yahoo! and Excite are currently in an expensive race to build the largest possible worldwide share of internet usage and both companies are losing money. Observers believe Excite may soon have to ask shareholders for more expansion funds.

Excite was one of the hardest hit internet stocks in the market downturn last week, losing almost a third of its value last Monday. The shares recovered slightly to close last week at $25¼, against a high of $55.

Mobilkom consortium wins Croatia concession

By Kevin Done in London and Jarad Marasak in Zagreb

A consortium led by Mobilkom of Austria yesterday emerged as the surprise winner of the concession to operate Croatia's second mobile telephone network.

It defeated three rival consortia, including Zagitel, the early favourite led by Deutsche Telekom which had formed a bidding alliance with INA, the Croatian state-owned oil company; Zagrebacka Banka, the largest Croatian bank; and Westel 900, the leading Hungarian mobile phone operator.

The award of the second GSM (global system for mobile communications) licence is an important step in opening up the Croatian market to foreign investment and to breaking the existing hold of HPT, the state-owned telecoms utility, which itself faces the first stage of privatisation.

HPT currently has a monopoly in the mobile phone market through Cronet, a wholly-owned subsidiary.

VIP-Net, the winning consortium, said it planned to invest around 1.5bn kunas ($238m) to develop a national network with the aim of securing 350,000 subscribers after five years. Commercial operations are planned to begin next spring, six months after the signing of final contracts in the next few weeks, and the consortium aims to achieve 90 per cent coverage within 21 months.

It will pay 150m kunas for the 10-year concession. The fee was set by the Croatian authorities, leaving rival consortia to compete on the technical quality of their bids including investment plans, timing and coverage.

The rival Cronet started operations in early 1996 and is already entrenched in the market, with 92,000 subscribers. It is seeking to increase this to 240,000 by 2000.

Mobilkom Austria holds a 30 per cent stake in the VIP-Net consortium. Western Wireless International of the US has 19 per cent, and Vecernji List, Croatia's biggest circulation newspaper which is close to the HDZ (Croatian Democratic Union) ruling party of President Franjo Tudjman, 23.5 per cent. Ingra, the Croatian civil engineering company has 22.6 per cent and the Croatian Post Bank, 4.9 per cent.

The bid has aroused controversy in recent days with the disclosure that an agreement in principle has also been reached to allow Croatia Osiguranje, the state-controlled insurance company, to enter the consortium at a later date with a stake of up to 10 per cent.

Ivić Pasalić, the domestic policy adviser of President Tudjman and a vice-president of HDZ, is a member of both the Telecommunications Council, which made the GSM award, and of the supervisory board of the insurance group.

In the privatisation of HPT, the Croatian government is planning to sell a 20 per cent stake in the telecoms operations through an initial public offering of shares in late 1999 or early 2000. The deal could value the utility at $1.1bn–$2.2bn.

CONGLOMERATES PROVISIONS TAKE HEAVY TOLL

First Pacific posts 77.4% fall mid-term

By Louise Lucas in Hong Kong

First Pacific, one of Asia's biggest conglomerates, saw interim pre-exceptional net profits fall 77.4 per cent to US$23.7m, as provisions and currency devaluations ravaged earnings.

Earnings per share also fell, by 77.4 per cent to 1 cent, reflecting reduced income as a result of asset disposals.

Exceptional gains of $643m from some of these sales, particularly that of Dutch-based trading subsidiary Hagemeyer, which was sold for US$1.7bn, helped fuel a fourfold increase in bottom line earnings from US$110.2m to US$435.6m.

Manuel Pangilinan, managing director, said the immediate outlook was bleak. "Looking ahead, it is difficult to be sanguine about the region during the second half. There is little doubt that operating conditions will deteriorate further in our major markets.

"Consumer spending is weak. Credit is tight. And investor confidence in the region as a whole is at its low-water mark for a generation."

The company yesterday also announced it would invest HK$757m (US$97.8m) in Smart Communications, its 60.9 per cent-owned telecoms unit in the Philippines.

It will subscribe to Smart's new convertible bond issue for US$61.11m and acquire US$36.66m worth of existing Smart bonds from Metro Pacific Corp, a First Pacific unit. The proceeds will be used to fund and build Smart's mobile and fixed-line telecoms networks.

First Pacific said Smart would build a GSM digital cellular service in the Philippines to complement its existing analogue-based network. Smart contributed US$6.6m, up 6.5 per cent from last year.

First Pacific's earnings reflected the themes which have dominated Hong Kong's interim reporting season this year. Provisions taken against falling asset values have eaten into earnings already weakened by slack demand.

In First Pacific's case, the damage was exacerbated by its pan-Asian exposure and the sharp devaluation of currencies in Indonesia and the Philippines. However, the asset disposal programme helped reduce group net debt by 86.4 per cent to US$349m, and gearing shrank from 155 per cent at the end of last year to just 13 per cent.

Net cash for further investment was $886m at June 30 and funds raised have been injected into other group businesses, such as telecoms and property.

Mr Pangilinan said the group was also reviewing potential acquisitions. The search is focused on Thailand, Hong Kong and China, the Philippines and Indonesia, with an emphasis on industries in which the group is already involved.

Despite the one-off gains, the dividend was slashed from $1.16 to 32 cents.

Otherwise engaged: Smart night worker napping in Manila yesterday morning Erik de Castro

NEC to develop W-CDMA in Singapore

By Michiyo Nakamoto in Tokyo and Greg McIvor in Stockholm

NEC, the Japanese electronics group, has set up a company in Singapore to design and develop base stations for an advanced mobile phone system. The move accelerates the race to enter the next-generation mobile handset market, which is expected to help boost demand for cellular phones worldwide.

NEC Mobile Communications Development Singapore will design and develop software and semiconductor technology for Wideband CDMA (code-division multiple access) systems mainly in Asian markets, NEC said.

W-CDMA, adopted by Japan and Europe as the technology for the next generation of mobile phones, will allow an array of multimedia and data services for cellphone users.

NEC has already set up a similar venture in Europe, Telecom MODUS, which is based in the UK.

Also fighting for a slice of the new market are Ericsson of Sweden and Finland's Nokia, both of which last year waged a successful campaign to persuade European telecommunications operators and manufacturers to endorse W-CDMA.

W-CDMA is expected to provide cross-border communications by enabling users to take their mobile phones overseas to other countries that employ the standard. Operators, such as NTT Docomo, are aiming to introduce services in 2001.

NEC, which makes both mobile phone handsets and base stations, expects the W-CDMA market to provide the new company with Y500bn ($3.7bn) in sales in 2005. Most of that is expected to come from Japan, but Asian markets outside Japan are forecast to provide about Y100bn in addition.

NEC expects China, where it has a leading share of the microwave radio communications infrastructure market, to provide strong demand for W-CDMA technology.

The adoption of W-CDMA as a global standard is expected to help Japanese companies such as NEC in expanding their overseas equipment business. More than 80 per cent of the W-CDMA standard is based on technology developed by Docomo. NEC, which has worked with Docomo in developing its W-CDMA technology, says the co-operation has given it a head-start in its own development of W-CDMA equipment.

W-CDMA will not, however, be adopted in the US, which has opted for another standard, known as CDMA 2000.

● NEC and Marubeni, the trading company, have jointly won a contract worth Y2.5bn to provide a digital radio communications system in Hubei province, China. The new system will have a data transmitting capacity equivalent to about 20,000 phone lines, NEC said.

Dai Nippon sees profit boost from US units

By Alexandra Harney in Tokyo

Dai Nippon Printing, Japan's biggest printing group, said yesterday that strong sales at its US subsidiaries would lead to a 30 per cent improvement in after-tax profits this year, from Y7.1bn to Y10bn ($74m).

However, the group warned that domestic sales would fall as result of Japan's economic slump.

In the year to March 1999, Dai Nippon, which makes printing and construction materials as well as electronics, expects an 18 per cent decline in turnover, from Y1,217bn to Y1,000bn. Overseas sales, including those from Sun Chemical and Reichhold, the group's US ink and printing subsidiaries, accounted for 55 per cent of group turnover last year.

"Both of our US subsidiaries are making very good progress," the group said, although it would not give earnings estimates for the units.

At the parent level, the group expects an 8 per cent decline in sales, from Y473bn to Y435bn. Earnings are projected to fall 3 per cent to Y48bn.

Analysts were enthusiastic about Dai Nippon's earnings prospects. The company's strong presence in the liquid crystal display (LCD) colour filter and electronic money-card markets would contribute to steady growth in profits, said Warburg Dillon Read.

The shares closed up 2.7 per cent at Y2,050 yesterday.

● Akatsuki Printing, the group that specialises in "Manga", the Japanese comics, said yesterday that Norio Yokokawa, one of its biggest shareholders, would invest Y800m to purchase 2.5m newly issued shares in the group, bringing the stake owned by the Yokokawa family, which manages a chain of Japanese restaurants, to 65.1 per cent.

Berlian steers a safe course through stormy waters

The Indonesian shipping group has been sheltered from turmoil by having most of its income in US dollars, writes Sander Thoenes

While most of Indonesia's conglomerates are sinking under the weight of foreign debt, inflated import costs and slumping domestic demand, a few smaller companies, such as Berlian Laju Tanker, are steaming ahead.

Berlian's liquid cargo shipping business, part of the Bina Surya Group which includes plywood production and shipping, reported a tenfold increase in net profits for the first six months of 1998 to Rp108.8bn ($10m).

Much of the gain is from the simple translation of dollar revenues into depreciated rupiah, while some reflects the added revenue from subsidiaries earlier this year. However, even in dollar terms the company, which operates 24 small tankers and will have 32 ships by mid-1999, claims higher margins. Despite a regional slump in petrochemical shipping, it expects net dollar income to jump from $7m in 1997 to at least $16m in 1998.

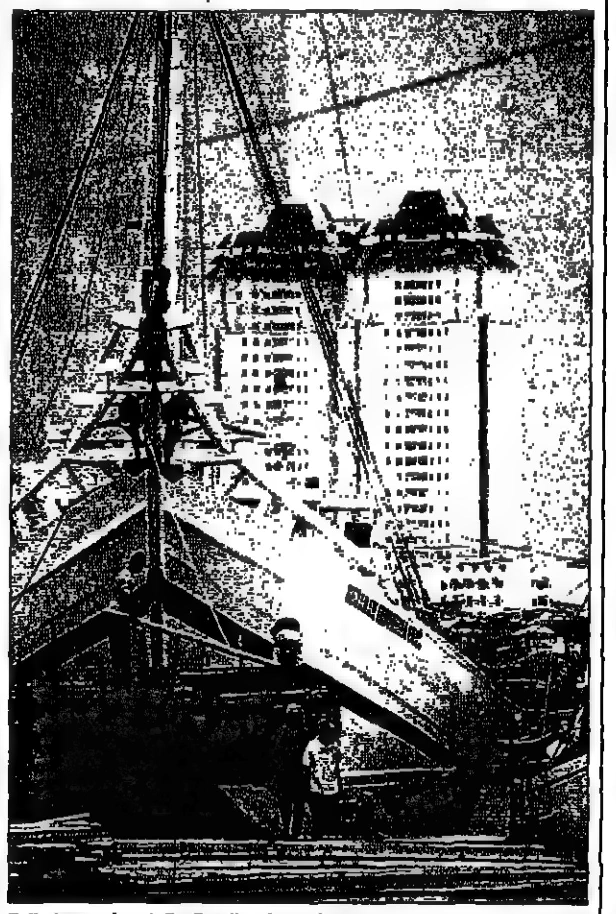
"There is no growth," said Mr Hadi Surya, president director and eldest of the seven brothers who own 55 per cent of Berlian and much of the BSG group. "Revenues are stable in dollar terms, but income is up because our costs are so low."

That is true for many dollar earners in Indonesia, but Berlian stands out for gaining lenders' trust in a market where most banks close the door on anything Indonesian. It signed a $51.2m syndicated loan from MeesPierson on June 3, nine months into the crisis and only days after riots forced the country's president to step down.

"Nearly all of its income is in US dollars, and their ships are valued in US dollars," said Chris Williams, senior manager in Singapore for MeesPierson. "The assets which we are financing float around the world. If they default on a loan we can arrest their ships in a foreign port."

Another sign of international confidence in Berlian came in February, when the International Finance Corp, the World Bank's corporate lending arm, increased its share in the company from 10 to 15 per cent. The IFC lent in part because Indonesia, like many of its neighbours, desperately needs its own shipping lines.

Before the crisis, Indonesia spent more than $4bn a year on foreign shipping services each year, causing it to run a current account deficit despite a positive balance of trade. The country needs those dollars now more than ever, but Mr Hadi estimates that less than 10 per cent of vessels used for Indonesia's exports are operated by Indonesians. Only 3.2 per cent fly an Indonesian flag.



Full steam ahead: Berlian lifted first-half profits tenfold Panos

Mr Hadi said his group diversified from plywood shipping into petroleum when an associate of former president Suharto muscled them out. It diversified further into chemicals and other commodities when Mr Suharto's sons snuggled up to Pertamina, the government oil and gas monopoly.

"Now we are very diversified," Mr Hadi said, counting his blessing in disguise. "We are not so dependent on one product, or one country."

Now that Mr Suharto is out, BSG's unlisted Arpeni Pratama Ocean Line has regained a 24 per cent share of the plywood shipping business and analysts say Berlian has a good chance of eating into the dominant market share for petroleum products that was held by Mr Suharto's sons.

Kevin Wong, Berlian's corporate secretary, said the BSG group has approached investors about setting up a company dedicated to taking over the ships of less fortunate operators. He said BSG was already negotiating with a joint-venture shipping line, which he declined to name.

It is not all plain sailing for Berlian, however. Its largest single client, the state oil and gas monopoly Pertamina, is often two months late in paying. Rates at the spot market, which provides another third of Berlian's business, are going down amid a regional slump.

Its love affair with foreign bankers leaves BSG with $180m in outstanding foreign debt, with more to come once Berlian draws down available credit lines to buy new ships in the first half of 1999. But Mr Wong insisted that the company can cover interest three times and principal two times from cash flow.

"Survival is not really a question for us," Mr Wong said. "This is a time of opportunity."

NEWS DIGEST

AUSTRALIA

Santos hit by falling world oil prices

Santos, the Australian oil and gas producer, suffered a 17.7 per cent drop in interim net profits to A$84.2m (US$49.4m) and is forecasting lower earnings for the full year. Production from new projects and a tight control of costs in the six months to June 30 failed to offset the adverse impact of falling world oil prices. Ross Adler, managing director, said Santos "continued to deliver a solid operational performance during the half but profit was inevitably affected by the adverse oil price movement".

The 32.5 per cent fall in the US dollar price of crude oil and and similar falls in the prices of other petroleum liquids was partially offset by the depreciation of the Australian dollar.

Santos is expecting full-year production and sales volumes to be at least 10 per cent higher than in 1997 but expects earnings to be about 12.5 per cent below the 1997 result – based on its assumption of an oil price of US$14 per barrel.

The interim dividend is maintained at 12 cents.
Russell Baker, Sydney

SOUTH KOREA

Second auction for Kia

A second attempt to sell the bankrupt Kia motor group at auction will be made this month following the failure of the first round last week because of low bids, according to Korea Development Bank, Kia's main creditor. Ford Motor of the US and the Korean carmakers Hyundai, Daewoo and Samsung are expected to make new bids for Kia and its truck division, Asia Motors, and a decision is due on September 28.

Bidders will be required to notify their interest by September 10, with bids submitted by September 21. The state-run Korea Development Bank has suggested creditor banks might be prepared to write off some of Kia's Won13,000bn ($9.7bn) debt, which deterred bidders in the first round. Creditors have asked for a minimum price of Won1,100bn for Kia and Asia Motors. **John Burton, Seoul**

PHILIPPINE BANKING

S&P sees alarming rise in NPLs

Standard & Poor's, the rating agency, has warned that non-performing loans in the Philippine banking industry are increasing at an "alarming rate". Announcing a cut in its credit ratings on nine banks in the Philippines, S&P said the devaluation of the peso, high interest rates and a slowdown in the local and regional economy were resulting in "spiraling" non-performing loans.

It said non-performing loans as a percentage of gross loans "could easily exceed" 20 per cent in 1999 – they were 5.39 per cent at the end of 1997. It added specific provisions to contend with the rising non-performing loans could equate to more than 128bn pesos, or more than $3bn. S&P cut the bank public information ratings on the nine Philippine banks to Bpi from BBpi.
Tony Tassell, Manila

LIFE ASSURANCE

National Mutual denies sale

National Mutual Holdings, Australia's second largest life insurer, yesterday denied that ANZ Bank, the country's fourth largest bank, was set to take control of the group. National Mutual said it has "had no discussions of any substance with the ANZ Bank or any other party". Despite the denial, National Mutual shares surged a further 8.3 per cent yesterday to A$3.52, valuing the group at about A$6.1bn (US$3.6bn). **Russell Baker**

PUBLISHING

John Fairfax jumps 51%

John Fairfax, the Australian newspaper publisher, said that the current year had started solidly but that an expected slowdown in Australian economic growth could cut advertising volumes. Fairfax said, however, that this would be partially offset by higher yields. The publisher yesterday reported a 51 per cent jump in net profit to A$111.8m (US$65.6m) for the year ended June 30 as strong revenue growth and the sale of a video business helped offset a 6 per cent rise in total costs to A$816.2m.

Fairfax, which last month announced the surprise resignation of Robert Muscat as chief executive, gave no update on its management situation.

Fairfax held its final dividend at 6 cents, maintaining the full-year pay-out at 9.5 cents. The company's shares yesterday rose 9 cents, or 3.2 per cent, to A$2.88.
AFX-Asia, Sydney

CLARIFICATION

Marubeni and Chandra Asri

Marubeni, the Japanese trading company, has asked us to point out that the $510m of Japanese bank loans extended through a group subsidiary to the Chandra Asri petrochemical complex in Indonesia are covered by Japanese government credit insurance. Though Marubeni's subsidiary has asked bankers for a deferral of payments on these loans, the group should not incur losses as a result of its involvement as was suggested in an article on August 11. Marubeni has a 21.2 per cent stake in Chandra Asri, into which it injected an additional $150m in loan finance in February 1998.

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Booker confirms it is in talks with Budgens

By David Blackwell

Booker, the struggling food distributor, looks set to announce on Thursday a reverse takeover by Budgens, the supermarket group that it once owned.

After widespread speculation that it was holding discussions with Budgens, Booker confirmed yesterday that it was in merger talks that "would create a major integrated force in food distribution" with combined sales of more than £5bn ($8.35bn).

John von Spreckelsen, who is widely perceived as having turned Budgens round from an almost hopeless position, would become chief executive of the merged group.

The timing of the announcement on Thursday would coincide with Booker's interim results, which are expected to reveal a continuing decline.

Profits are forecast to be almost halved from £22m pre-exceptionals previously – although the bulk is always generated in the second half.

Analysts yesterday gave a mixed reception to the news. One said a deal would give Booker a manager who had shown he could turn round an ailing retail business, albeit a smaller one.

But another, pointing out that savings from any synergies would be minimal, said: "Booker would be paying £130m for a chief executive – that's all it amounts to."

Others suggested that the talks might be designed to flush out another offer. Michael Landymore of Henderson Crosthwaite said: "The negotiations are not exclusive, and there is still room for one of the mooted financial bidders to make a move, particularly in the light of Booker's depressed share price."

Shares in Booker yesterday fell 18p to 170p, while Budgens shares eased 1p to close at 75½p.

Late last month Somerfield, the supermarket group that recently bought ailing discount food chain Kwik Save, pulled out talks on a possible takeover of Booker. The group said it had been forced to conclude that the commercial risks of the transaction for Somerfield shareholders outweighed the potential rewards.

Budgens is about one-third the size of Booker and is 29.3 per cent owned by Rewe Trading Group, the private German retail company.

Booker said that under a merger deal, shareholders and holders of convertible unsecured loan stocks in Budgens would be issued with new Booker shares.

Budgens celebrated its 125th anniversary last year with the purchase of the 7-Eleven chain. The group, which was demerged from Booker in 1986, in July announced pre-tax profits of £10.5m on sales of £363m, although profits were hit by a £725,000 loss on the disposal of four badly-sited 7-11 stores.

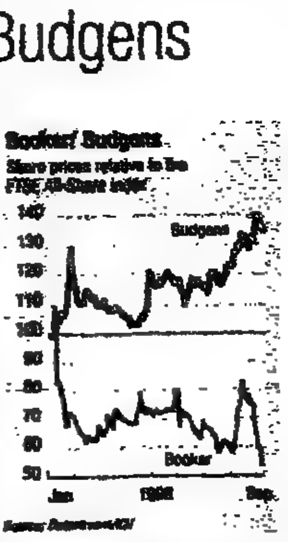
Mr von Spreckelsen believes that the group's strength is its ability to service small, neighbourhood stores.

Some analysts believe this could lead to a further deterioration in Booker sales after a merger as cash and carry customers would not want to be supplied by a group with its own rival retail outlets.

COMMENT

Booker/Budgens

Jilted at the altar by Somerfield, Booker is starting to look desperate to get hitched. A humiliating reverse takeover by Budgens, the convenience store operator, which Booker used to own, would symbolise the food distributor and cash & carry group's fall from favour. While Budgens' shares have outperformed the market by some 50 per cent in the past year, Booker's have lagged behind it by nearly the same amount. Like Hillsdown and Albert Fisher, Booker has felt the pinch from powerful retail customers passing on much of the pain of low inflation to fragmented suppliers.



But the huge disparity in size between the two means that savings from greater buying power and distribution strength would probably pale against those achievable with Somerfield. Given Booker's leadership vacuum, it will be no surprise that it is Budgens' management that is being primed to run the merged entity. However, the apparent deterioration at Booker suggests this could be a dubious privilege. Somerfield, after all, took a close look and walked away.

Booker's worrying debt position means Budgens shareholders cannot expect any cash. Their incentive to accept will presumably lie in an exchange ratio very much in the supermarket group's favour. This would speak volumes for the weakness of the Booker board's negotiating position.

Billiton

There was some pain-relief for Billiton investors yesterday. The company reckons that the rash of selling by South African institutional investors is near an end, which should help stabilise its battered share price.

Plans for a buy-back should mop up any last bouts of selling. The buy-back mechanism means the shares need not be cancelled but can be reissued. But this looks academic at present. Billiton should not need to use equity for any deal in the near term, given the near $2bn of cash it held at year-end.

Sadly, there is still no sign of the big deal the market is longing for. A bid to mop up minorities at QNI, the Australian nickel producer, will not help to diversify the Billiton portfolio. The price of nickel will have to rise from its current lows before the deal enhances earnings. But with yesterday's good results, helped by currency movements, more hope should creep into the share price.

Putting a price on dodgy knees

Patrick Harverson looks at the tricky business of valuing football clubs

Valuing football clubs has never been easy. For example, should a multi-million-pound player with a dodgy knee be regarded as an asset or a liability?

Although £575m ($949m) seems a lot of money to pay for any club, even one like United, the instinctive reaction from analysts at the figure quoted as BSkyB's bid for the Premiership club is that it looks too low.

Valuing football clubs is tricky because, apart from the bricks and mortar of their stadiums and training grounds, their most precious assets – the players – are virtually impossible to value on a normal basis.

Also, football clubs' revenue streams can be unpredictable. While a good part of their income is earned up-front, as season-ticket sales and fees for television rights, a significant share is determined by the team's performance on the pitch.

And there is the issue of transfer spending. At the pre-tax level, profits can be wiped out in an instant by the purchase of an expensive star. Conversely, a club can move from the red into the black in a single trade.

City analysts have been coming to terms with football valuations, bracketing them with media companies, which on the stock market trade on high multiples of earnings.

On the move: Martin Edwards, Manchester United's chairman, at Piccadilly Station yesterday, preparing to board a train to London

Before the takeover interest from BSkyB was known, the club's share price was 157p, on an multiple of about 23 times prospective earnings, above-average among football stocks but justified by United's special appeal and in line with many media stocks.

Yet, even with BSkyB apparently prepared to pay 225p a share for the club, analysts believe that would still undervalue United.

Paul Wedge at Collins Stewart believes the club's shares have been undervalued for some time: "We would be looking for a bid that values the company at 30 times next year's earnings, which is twice the market p/e and appropriate for this sort of asset.

"As we're predicting eps of 10p, that would value United at £3 a share" – or a hefty £780m.

Nick Batram, at Greig Middleton, says the club BSkyB wants to buy is not like any other.

"You are buying Man United in the full knowledge that quality sporting franchises are becoming more valuable by the day, and whatever happens in the future, Man United will be at the head of the leading group."

Burmah Castrol views disposals

By Michael Peel

Currency translation effects and weakening demand in south-east Asia depressed interim operating profits at Burmah Castrol, the lubricants and chemicals group.

The group said yesterday that it was considering disposals of businesses accounting for about 10 per cent of turnover that it felt lay outside its core specialities.

Tim Stevenson, chief executive, said the group would continue to promote its products in emerging markets such as China.

"The important thing to stress is that we as management are very much looking through the short-term difficulties to the long-term opportunities," he said.

Although pre-tax profits for the six months to June 30 rose 48 per cent to £153.5m ($255.5m), they would have fallen from £126.4m to £121.8m if exceptional items and discontinued operations had been excluded.

Currency translation effects depressed the first-half figure by about £14m.

Mr Stevenson said the group was taking steps to combat the "tough trading environment", which it thought was likely to continue. It was reducing costs in south-east Asia, and had cut back the workforces of its Thai and Malaysian operations.

Mr Stevenson said the group would seek to acquire companies making between £10m and £50m of annual sales as part of an effort to improve its product portfolio and extend its geographic range.

It planned to sell its fuels retailing businesses and its interest in a Pakistan gas field when it felt it could command the right price for them. "It may be that there are some further businesses in the portfolio that it would be appropriate to sell," Mr Stevenson said.

Sales fell from £1.47bn to £1.42bn, with turnover on continuing operations down 0.5 per cent at £1.416bn. Earnings per share were 45.6p (22.7p).

Dewhirst crumpled by M&S

By Christopher Swann

Shares in Dewhirst lost almost a fifth of their value yesterday, after the textiles group issued a gloomy trading statement and unveiled interim results depressed by overstocking at Marks and Spencer, its main customer.

Weak sales of casual wear during a rainy summer caused stock surpluses and discounting at M&S, which accounts for about 95 per cent of Dewhirst's sales.

Dewhirst became the latest textile company to report disappointing results in the past few weeks. Its pre-tax profits for the six months to July 17 fell 8 per cent to £13m ($21m). The shares fell 24p to close at 105½p.

Higher sales to M&S led to an 8 per cent rise in turnover to £191m, but the group had expected faster growth. An acceleration of the migration of production to Morocco and south-east Asia inflated the cost of sales. Trading margins, while still ahead of the industry average of 5 per cent, slipped 1 point to 6.6 per cent.

The group said that a slowdown in consumer spending, coupled with lower orders from M&S, would reduce full-year operating profits to below last year's £30.9m.

Credit Suisse First Boston downgraded its forecast from £33.5m to £28.5m to give a forward p/e of 7.1 and a dividend yield of 5.2 per cent.

Ibstock considers returning capital

By Jonathan Guthrie

Ibstock, the brick maker, is looking at ways of returning cash to shareholders, via a share buy-back or special dividend.

The news helped lift the shares 3½p to close at 43p yesterday.

David Taylor, an analyst at Teather & Greenwood, the broker, said: "Not so long ago Ibstock had borrowings of £150m ($247.5m) ... but if its recovery continues, it will soon have an embarrassment of cash."

Philip Mengel, who was recruited as chief executive in November 1996, has been pushing through a restructuring, following the purchase of the brick operations of Redland in 1995 and Tarmac in 1996.

Investments outside Ibstock's core brick manufacturing business are big sold.

Ibstock is to auction a 76 per cent stake in Calma Ceramica e Servico, a Portuguese producer of sanitaryware and clay roof tiles.

Mr Mengel said that net asset value of £25m represented a "strong target" for the proceeds Ibstock hoped to realise from the sale.

Ibstock yesterday announced a pre-tax loss of £16.2m for the six months to June 30, as a result of £31.5m in goodwill write-offs on the sale of shares in Celulose do Caima, a Portuguese pulp and forestry business.

Last year, the company made pre-tax profits of £8.45m.

Profits before exceptionals rose 81 per cent to £15.3m on higher brick prices and manufacturing efficiencies.

Turnover edged up to £139.8m (£130.7m). Losses per share of 4.13p, compared with earnings of 1.62p last time. The dividend is 0.85p (0.75p).

Analysts are forecasting full-year pre-tax profits of £31.5m (£23.5m).

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Adwest Automotive	Yr to June 30	249.9	(191.4)	2.68	(14.4)	2.8L	(11.4)	5.5★	Nov 27	5.5	7.8	7.8
Alexon	6 mths to Aug 1	69.2	(62.5)	2.92	(5.61)	1.87	(7.52)	nil	-	nil	nil	nil
Billiton	Yr to June 30$	6,100	(5,816)	8.38	(9.43♥)	22.9†	(35.5)	7★	Oct 23	-	10.5	-
Bodycote Intl	6 mths to June 30	160.6	(99.8)	38.1♥	(23.5♥)	26.3†	(18.7)	4.25	Dec 31	3.5	-	10
Bryant	Yr to May 31	585.7	(558.4)	53.3	(38.6)	13.1	(9.3)	3.85	Nov 20	3.6	5.3	5.05
British Vita	6 mths to June 30●	422	(416.1)	36.8	(32)	10.9	(9.6)	4.5	Nov 9	4.25	-	8.75
Burmah Castrol	6 mths to June 30	1,418	(1,466)	153.5♥	(103.9♠)	45.6	(22.7)	14★	Jan 8	27★	-	40.5★
Conister Trust ♦	6 mths to June 30	-	(-)	0.486	(0.504)	2	(2.06)	0.4	Oct 2	0.4	-	2
Dewhirst	6 mths to July 17	190.9	(176.9)	13	(14.2)	6.81	(7.41)	1.45	Nov 6	1.4	-	5.4
Doeflex	6 mths to June 30	40.9	(42.9)	3.37	(3.01)	13.84	(12.21)	3	Sept30	2.75	-	8.5
Enstone	6 mths to June 30	17.4	(2.87)	0.18♠	(0.271L)	0.38†	(3.94L)	nil	-	nil	-	nil
Epic Multimedia ♦	Yr to May 31	3.45	(4.11)	0.223	(2.6L)	0.96	(11.24L)	-	-	-	-	-
Forth Ports	6 mths to June 30●	50.2	(44.8)	12.9♥	(11)	21	(19.1)	5	Nov 5	4.5	-	14.5
Gaskell	6 mths to July 3■	26.9	(23)	2.26	(1.24)	31.8	(17.5)	5	Oct 23	2.4	-	8.5
Haynes Publishing	Yr to May 31	28.7	(27.4)	6.11♥	(5.61♠)	23	(21.8)	6	Oct 30	5.5	11.8	10.5
Hodder Headline	6 mths to June 30	45.1	(38)	2.23	(1.32)	4.3	(2.5)	2.45	Nov 11	2.2	-	7.2
Ibstock	6 mths to June 30	139.6	(130.7)	16.3L♠	(8.45)	4.13L	(1.62)	0.85	Dec 1	0.75	-	2.2
Mice	6 mths to June 30	16.3	(8.87)	1.16	(0.354)	0.45†	(0.14)	0.1	Oct 12	0.04	-	0.15
Multi Equipment	6 mths to June 30	2.17	(1.45)	0.328	(0.102)	1.12†	(0.4)	0.13	Oct 12	-	-	-
Nestor Healthcare	24 wks to June 19	88.5	(59.1)	5.5	(3.75)	5.05†	(3.64)	1.68	Oct 23	1.4	-	3.87
Photobition	15 mths to June 30	57.7	(23.4)	9.84	(4.11)	11.17†	(5.23)	1.28	Jan 6	4.2	1.88	7
PPL Therapeutics	6 mths to June 30	0.199	(0.541)	6.73L	(5L)	30L	(22L)	-	-	-	-	-
Relyon	6 mths to June 30	39.2	(32.9)	5.55	(4.58)	16.8	(14.2)	5	Oct 2	-	4	14.5
Ryland	6 mths to June 30●	302	(240)	3.04♥	(3.01♥)	7.5	(7.5)	1.5	Oct 12	1.4	-	4.4
Springwood	6 mths to June 30	4.69	(9.14)	0.515♠	(0.720)	2.1	(3.4)	nil	-	nil	-	1
WSP	6 mths to June 30	32.5	(20.5)	2.25	(1.45)	6†	(3.3)	1.4	Oct 6	1.2	-	2.8

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
City of London	Yr to June 30	258.78	(202.68)	18.7	(18.8)	7.27	(7.24)	1.72	Aug 28#	1.66	6.7	6.28
Candover	6 mths to June 30	821	(703)	6.2	(3.17)	18.8	(9.3)	8	Oct 22	5	-	20

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ♦Aim stock. $Figures in dollars. ★Paid as foreign income dividend. ●Comparatives restated. ■Comparatives to June 27. ☆Comparatives 12 mths to March 31. #Already paid.

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EURO PRICES

EQUITIES

US rate optimism lifts Europe

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

European markets decided that optimism over US interest rates, and a rally in Asia, outweighed the effect of another rise in the D-Mark against the dollar. Most of the region's bourses moved higher.

Weekend comments from Alan Greenspan, the US Federal Reserve chairman, that the next move in US interest rates was as likely to be down as up, encouraged investors who were reeling from the correction of the last two months. Asia also chipped in with a strong rally and Europe was for once not distracted by Wall Street, which was closed for the Labour day holiday.

The FTSE Eurotop 100 index gained 56.2 or 2.3 per cent to 2,555.83 while the broader Eurotop 300 index rose 22.25 to 1,100.63.

The FTSE Ebloc 100 index, which represents stocks in countries set to join the euro, underperformed on the day, rising only 1.3 per cent or 11.99 to 912.37.

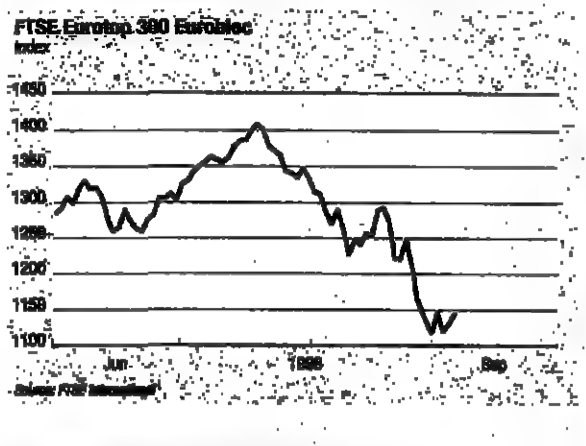
Financial stocks performed well, with the retail banking sector one of the day's best performers, gaining 3.3 per cent. The sector has been battered by its Russian exposure in recent weeks.

Edwina Neal of Lehman Brothers points out that her firm's index of continental financials fell by 27 per cent in the last two weeks of August.

However, she says that "the rotation away from financials looks overdue, reversing a huge period of outperformance. Moreover, in a global context, the banks do not appear cheap." Lehman remains underweight the sector.

After the sharp fall in equity markets over the past few weeks, investor confidence may be the key element in how quickly Europe can rebound. The latest survey of professional fund managers from Merrill Lynch and Gallup found that buyers of European equities still outnumbered sellers by 22 percentage points, although this was below August's 34-point margin.

Meanwhile, a report from Salomon Smith Barney found inflows into European mutual funds in July were $9bn, the third highest monthly figure of the year. But some of these occurred before the markets started to correct in mid-July.



Source: FTSE International

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct		95.840	+0.010			0	0
Dec	96.290	96.290	+0.005	96.290	96.290	13	8604
Mar	96.485	96.490	+0.015	96.485	96.485	70	3100
Jun		96.425	+0.020			0	2071

■ THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
96000	0	0.295	0.300	0.320	0.160	0.005	0.010	0.030
96125	0				0.285			

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	2548.0	2554.0	+77.0	2554.0	2548.0	60	2780
Dec		2574.0	+77.0			0	2306
Mar		2593.5	+77.0			0	117

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2425 C	2425 P	2450 C	2450 P	2475 C	2475 P	2500 C	2500 P	2525 C	2525 P	2550 C	2550 P	2575 C	2575 P	2600 C	2600 P
Sep	118	80	101	89	76	-	66	58	109	46	117	39	133	31	149	25
Oct	174	109	169	118	140	128	-	139	118	150	101	163	88	176	78	188

Est vol total 0. Prev day's open interest total: 7,487. Premiums shown are based on settlement prices.

OTHER INDICES

	Sep 7	Sep 4	Sep 3	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3059.99	3009.66	2975.02	3670.82	2574.51	3670.82	2575.02
DJ Euro Stx 50	[illegible]	3053.86	2971.38	3958.46	2468.81	3958.46	2865.52
MSCI Europe	(u)	1073.23	1085.98	1315.55	980.50	1315.55	510.78

Source: Extel/part of FT information. *Subject to revision next day. (u) unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

September 07 National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total rate (Ecu)
FTSE Eurotop 300	1100.63	[illegible]	[illegible]	2.57	[illegible]	1129.81
FTSE Eurotop 100	2555.83	+2.25	+56.20	2.57	32.08	913.42
FTSE Ebloc 100	912.37	+1.33	+11.99	2.20	17.37	924.38
FTSE Eurotop 300 Regions						
Eurobloc	1145.77	+1.33	+14.98	2.20	19.78	1188.31
UK	1021.67	+2.89	+28.70	3.32	26.84	1065.68
Europe Ex-Eurobloc	1065.35	+2.83	+29.31	2.97	23.55	1098.43
Europe Ex-UK	1146.28	+1.66	+18.70	2.25	18.33	1168.19
FTSE Eurotop Industry Sectors						
RESOURCES	858.00	+2.48	+20.75	3.35	21.01	887.28
Extractive Industries	709.03	+3.10	+21.31	4.10	0.00	709.03
Oil, Integrated	[illegible]	+2.52	+20.39	3.31	15.09	843.18
Oil, Exploration & Prod	596.73	-1.54	-9.33	3.78	0.00	596.73
GENERAL INDUSTRIES	1025.25	+1.85	[illegible]	2.78	19.53	1045.01
Construction	912.04	-0.22	-2.08	2.78	11.09	922.84
Building Matls & Merchs	839.83	+0.84	+7.01	3.14	8.05	846.09
Chemicals	832.49	+1.24	+10.20	2.90	16.87	846.58
Diversified Industrials	926.41	+0.51	+4.67	2.36	17.49	942.30
Electronic & Elect Equip	889.15	+3.22	+28.60	1.90	4.89	893.46
Engineering	862.15	+1.49	+12.69	3.91	9.57	870.21
Paper, Pckg & Printing	771.28	+2.78	+20.83	3.06	1.21	772.21
CONSUMER GOODS	1111.88	+2.21	+24.07	1.71	15.04	1138.70
Automobiles	901.20	+2.00	+17.68	2.90	10.25	909.55
Alcoholic Beverages	850.73	+1.41	+11.86	2.58	5.62	865.83
Food Producers	920.07	+1.89	+17.04	1.78	9.37	928.44
Household Goods & Texts	1001.40	+1.04	+10.33	1.95	7.01	1007.94
Healthcare	875.70	-0.32	-2.80	1.37	8.62	884.60
Pharmaceuticals	994.47	+2.82	+27.28	1.31	4.27	998.82
Tobacco	987.58	+0.20	+1.97	4.37	1.81	969.40
SERVICES	1142.58	+1.89	+21.20	2.33	20.97	1172.28
Distribution	776.65	+1.80	+13.70	2.68	11.37	786.37
Leisure & Hotels	759.84	+0.44	+3.33	3.33	12.27	766.66
Media	961.37	+2.68	+25.20	2.44	9.63	970.53
Retailers, Food	1007.42	-0.46	-4.61	2.99	11.37	1019.09
Retailers, General	986.17	-0.96	-9.62	3.50	16.53	1004.27
Telecommunications	1050.25	+3.48	+35.39	1.89	13.02	1063.02
Breweries, Pubs & Rests	790.30	+4.02	+30.57	3.48	14.20	802.31
Support Services	925.31	+0.96	+8.04	1.92	6.84	931.76
Transport	908.34	-0.22	-1.97	2.89	11.78	916.51
Information Technology	1128.94	+3.04	+33.35	0.37	2.23	1131.61
UTILITIES	1371.57	+1.96	+26.63	3.23	33.32	1448.60
Electricity	1051.80	+2.57	+26.32	3.36	28.23	1079.86
Gas Distribution	1031.05	+1.83	+18.58	1.79	34.81	1120.02
Water	1028.44	-0.86	-8.93	5.03	38.72	1067.71
FINANCIALS	1151.77	+2.11	+23.83	2.86	28.40	1181.50
Banks, Retail	798.93	+3.29	+25.44	3.72	12.82	809.15
Insurance	881.22	+0.66	+5.76	1.69	11.45	891.51
Life Insurance	1069.92	-0.32	-3.42	1.80	9.10	1069.03
Other Financial	844.84	+1.14	+9.50	2.41	14.05	856.77
Investment Companies	923.52	+1.29	+11.80	2.78	20.86	940.78
Property	785.77	+0.40	+3.14	3.43	18.01	800.21

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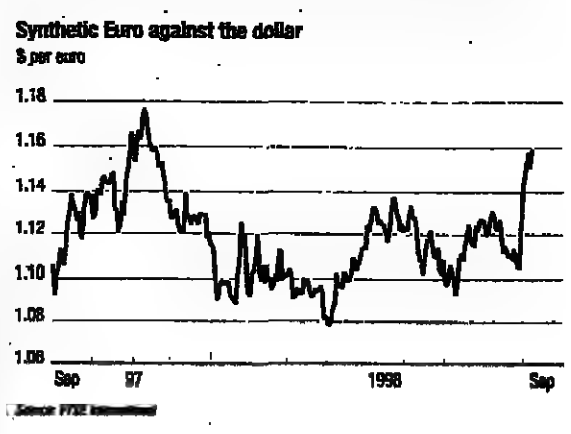
CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Sep 07	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.061322	+0.0010	+0.01	+0.0010	+0.01
Belgium	BEF	41.226062	-0.0041	-0.01	+0.0131	+0.03
Czech Republic	CZK	35.413650	-0.1273	-0.36	[illegible]	-3.85
Denmark	DKK	7.602748	-0.0068	-0.09	-0.0079	-0.10
Finland	FIM	6.079419	+0.0002	+0.00	-0.0017	-0.03
France	FRF	6.699177	-0.0009	-0.01	+0.0026	+0.04
Germany	DEM	1.998285	+0.0000	+0.00	+0.0001	+0.00
Greece	GRD	343.841262	-1.5445	[illegible]	-0.4234	-0.12
Hungary	HUF	257.089468	+0.6193	+0.24	+2.9587	+1.16
Ireland	IEP	0.798765	-0.0007	-0.08	[illegible]	-0.07
Italy	ITL	1973.928833	+0.3483	+0.02	[illegible]	-0.04
Luxembourg	LUF	41.226062	[illegible]	-0.01	+0.0131	+0.03
Netherlands	NLG	2.255887	+0.0006	[illegible]	+0.0007	+0.03
Norway	NOK	8.922197	+0.0454	+0.51	+0.0169	+0.19
Poland	PLN	4.207982	-0.0371	-0.87	-0.0128	-0.30
Portugal	PTE	204.572228	-0.1903	-0.09	-0.0989	-0.05
Romania	ROL	10472.170455	+117.9791	+1.14	+353.6216	+3.49
Russia	RUB	26.064584	+3.2837	+14.41	+14.7903	+131.19
Slovakia	SKK	40.921975	+0.4303	+1.06	+0.8670	+2.16
Spain	ESP	169.845686	[illegible]	+0.00	-0.0525	-0.03
Sweden	SEK	9.184580	+0.0350	+0.38	+0.0198	+0.22
Switzerland	CHF	1.634423	-0.0053	[illegible]	-0.0044	-0.27
United Kingdom	GBP	0.694013	+0.0055	[illegible]	+0.0173	+2.56
ECU	ECU	1.015708	+0.0018	+0.18	+0.0019	+0.19
Americas						
Brazil	BRL	1.364626	+0.0078	+0.58	+0.0311	+2.33
Canada	CAD	[illegible]	-0.0015	-0.09	-0.0110	-0.62
Mexico	MXN	11.775400	+0.0912	+0.78	[illegible]	+4.24
United States	USD	1.158428	+0.0064	+0.56	+0.0253	+2.24
Pacific/Middle East/Africa						
Australia	AUD	1.960057	-0.0026	-0.13	-0.0200	-1.01
Hong Kong	HKD	8.976063	[illegible]	+0.69	+0.1955	+2.23
Japan	JPY	152.541527	-2.2126	-1.43	[illegible]	-4.65
Singapore	SGD	2.001412	[illegible]	-0.64	-0.0110	-0.54
South Africa	ZAR	[illegible]	-0.0409	-0.57	-0.1504	-2.07

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3354, FRF 0.2217, ITL 0.1823, NLG 0.0577, BEF 0.0386, ESP 0.0848, IEP 0.0116, PTE 0.0155, ATS 0.0328, FIM 0.0187.



Source: FTSE International

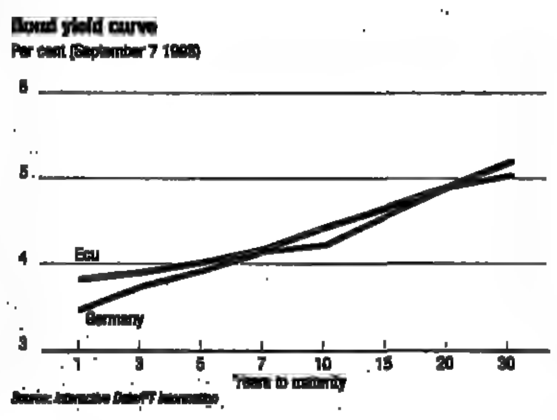
EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

Sep 07	Fixed rate	Market rate	Diff fxd v mkt %	Week ago %	Forward rate	Forward Int rate	Diff int rate v DEM
Austria	7.03552	7.0367	+0.02	+0.01	[illegible]	3.56	+0.04
Belgium	20.6255	20.6307	+0.03	+0.00	20.6289	3.49	-0.03
France	3.35386	3.3525	-0.04	[illegible]	3.3526	3.55	+0.03
Finland	3.04001	3.0423	+0.08	+0.11	3.0423	3.52	+0.00
Ireland	0.402676	0.3987	-0.99	-0.90	0.4012	5.52	+2.00
Italy	990.002	987.8116	-0.22	-0.17	991.8857	4.84	+1.32
Luxembourg	20.6255	20.6307	+0.03	+0.00	20.6289	3.49	-0.03
Netherlands	1.12674	1.1288	+0.18	+0.16	1.1284	3.41	-0.11
Portugal	102.505	102.3739	-0.13	-0.08	102.5761	4.19	+0.63
Spain	85.0722	84.8957	-0.21	-0.17	85.0951	4.27	+0.75
Germany	1		+0.00	+0.00		3.52	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3, forward rates are exchange rates to 31/12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates; Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98; DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS



Source: Interactive Data/FT Information

EUROZONE CORPORATE BONDS

Sep 07	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible issues								
Belgium (Kingdom of)	03/08	5.750	N/A	109.350	[illegible]	+0.01	-0.26	+0.07
France (Rep of)	04/08	5.250	N/A	106.750	4.37	+0.00	-0.28	-0.08
Italy (Rep of)	05/08	5.000	AA	103.320	4.57	[illegible]	-0.20	+0.12
Portugal (Rep of)	06/08	5.375	AA-	106.140	4.58	-0.01	-0.22	+0.13
Euro issues								
Abbey Natl Treas Srv	02/03	4.875	AA	102.980	4.12	-0.05	-0.31	+0.08
Gen Electric Cap Crp	10/04	5.500	AAA	106.680	4.23	-0.02	-0.28	+0.15
Oest Kontrollbank	04/08	5.250	AAA	104.860	4.61	[illegible]	-0.19	+0.18
Cred Local de France	04/08	5.250	AA+	103.780	4.75	-0.01	-0.17	+0.30
Ecu issues								
Bayer Hypo & Wch Bk	07/01	5.000	AA-	102.348	4.10	-0.01	[illegible]	+0.20
Cred Foncier France	08/04	8.375	A	117.620	4.87	+0.00	-0.31	+0.59
Euro Inv Bank	04/04	5.250	AAA	105.980	4.03	[illegible]	-0.30	-0.05
ABN Amro Hldg. NV	04/07	6.375	AA-	[illegible]	4.95	+0.00	[illegible]	[illegible]

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Emu "in" sovereigns and fungible into one big Euro issue 1/1/99; Euro issues are issued in the new currency; Ecu bonds are issued in Ecus but convert to Euros 1/1/99.

GOVERNMENT BOND SPREADS vs ECU

Sep 07	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"Ins"						
Austria	-0.07	+0.05	+0.18	+0.09	+0.11	+0.09
Belgium	-0.03	+0.02	+0.10	+0.08	+0.14	+0.08
Finland	-0.15	+0.11	+0.16	+0.15	-0.32	-0.80
France	-0.19	-0.10	-0.08	-0.05	-0.03	-0.11
Germany	-0.24	-0.12	-0.04	-0.21	+0.00	-0.15
Ireland	+0.64	-0.03	+0.07	+0.16	+0.24	+0.52
Italy	+0.28	+0.21	+0.25	+0.25	+0.27	+0.21
Luxembourg	-0.03	+0.08	+0.10	+0.09	+0.14	+0.09
Netherlands	-0.15	+0.00	+0.03	-0.08	+0.07	-0.08
Portugal	+0.04	+0.19	+0.21	+0.18	+0.43	+0.31
Spain	-0.07	+0.06	+0.18	+0.23	+0.21	+0.25
"Outs"						
Denmark	+0.64	+0.52	+0.56	+0.38	+0.25	+0.66
Greece	+8.34	+5.39	+4.59	+3.79	+2.61	+2.53
Sweden	+0.63	+0.82	+0.64	+0.47	+0.45	+0.17
UK	+2.41	+1.83	+1.30	+0.74	+0.35	-0.18

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CREDIT SPREADS vs ECU

Sep 07	S & P rating	Red date	Coupn	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/09	5.000	DEM	+0.04	+0.25	+0.03
France Telecom	AA+	11/06	6.250	FRF	+0.17	+0.18	+0.15
Halifax	AA	07/07	6.625	DEM	+0.23	+0.18	+0.17
Ing Bank NV	AA-	01/08	5.600	NLG	+0.25	+0.18	+0.18
Bayer Hypo W Bk	AA-	02/02	6.750	ITL	+0.24	[illegible]	+0.30
Cred Foncier	A	02/03	7.250	DEM	+0.66	+0.52	+0.29
Thomson-Brandt Int	A-	03/04	6.375	FRF	+0.40	+0.42	+0.35
Bancaria des Eaux	[illegible]	03/04	6.250	FRF	+0.34	+0.33	+0.33
Bank of China	BBB	07/08	7.125	DEM	+5.42	+5.93	[illegible]
Natl Bk of Hungary	BBB-	08/01	9.000	ATS	+0.98	+1.14	+0.58
Korea Dev Bank	BB+	11/02	5.625	FRF	+9.49	+10.10	+6.14
Argentina	BB	04/08	8.125	XEU	+6.05	+6.48	+3.21

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

FTSE EUROTOP 300

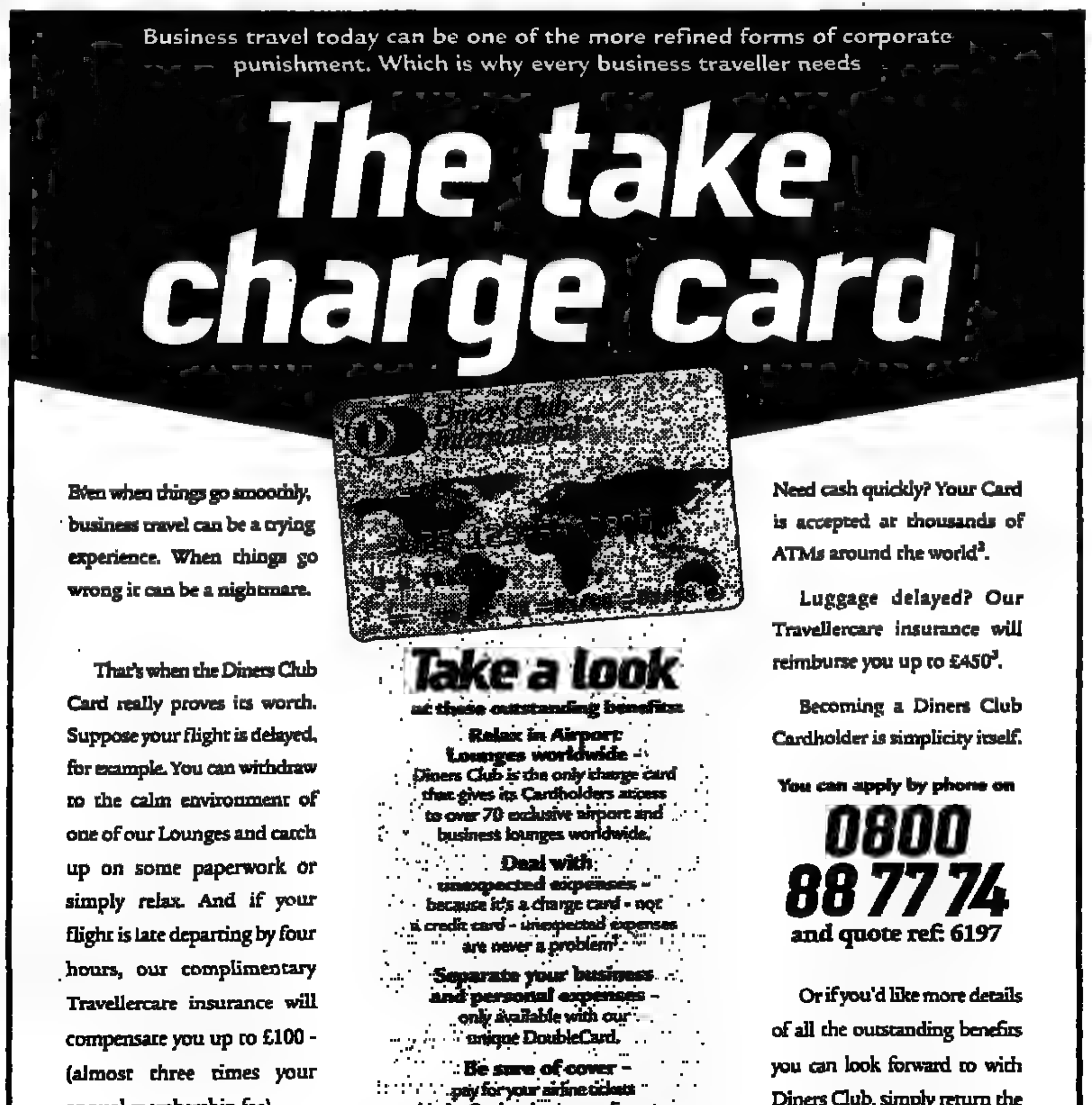
Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
ALCOHOLIC BEVERAGES					
Allied-Dom	7.48	+.1	7.8	0.7	4.8
Carlsberg A	[illegible]	+1.5	1.9	-	0.8
Carlsberg B	[illegible]	+.8	1.7	-	0.8
Diageo	9.02	+.4	32.4	2.1	3.6
Heineken	[illegible]	-0.1	13.9	1.3	[illegible]
LVMH	148.88	+.2	12.7	0.2	2.4
AUTOMOBILES					
BMW	666.10	+37.8	16.7	-	1.2
Daimler Benz	[illegible]	+1.3	47.2	-	1.0
Fiat	2.90	-	12.4	21.5	2.5
Peugeot	141.85	-1.1	7.1	0.1	[illegible]
Renault	37.81	-	9.0	0.8	1.4
Volkswagen	64	+1.6	24.1	-	1.0
Volvo A	22.80	+.3	3.2	0.1	2.4
Volvo B	23.06	+.2	7.2	0.7	2.9
BANKS RETAIL					
ABN Amro	16.88	-.3	[illegible]	10.6	3.5
Abbey Natl	15.55	+.5	23.5	2.8	3.5
Allied Irish	10.27	-	8.9	-	2.2
Almanij	71.27	-1.1	12.9	0.1	0.9
Argentaria	19	+1.2	8.8	2.1	1.7
Banca Comm	6.30	+.1	8.7	10.8	1.5
[illegible]	4.80	-	5.4	1.1	1.2
Banca Intesa	2.98	-	8.8	3.5	0.7
Banca di Roma	1.47	-	7.8	28.7	-
Banco Bilbao	10.28	-.4	22.9	1.3	1.8
[illegible]	6.29	-.1	9.2	3.7	1.2
Banco Comercial	22.84	+.4	4.4	-	1.8
Banco Popolar	[illegible]	+0.1	8.7	0.3	2.2
Banco de San	15.12	-.8	12.4	0.2	1.9
Bank Austria	46.47	+0.8	3.5	0.4	2.2
Bank of Irel	12.88	-.3	8.7	-	2.3
Bank Scot	9.15	+.3	11.9	2.3	2.0
BNP	55.74	+1.7	12.2	0.6	1.9
Barclays	19.14	+1.0	28.7	7.3	3.7
Bay Hypo Ver	67.63	+3.2	28.1	-	1.2
Commerzbank	26.42	+.7	12.6	-	2.8
CCF	43.70	+4.8	4.6	0.5	1.6
CS Group (Sfr)	142.92	+0.5	38.5	3.0	2.2
Credito Ital	3.80	+.3	11.4	19.3	1.9
Danske Bank	107.57	+.9	5.7	0.1	2.2
Deutsche Ban	55.02	+1.2	28.3	-	1.7
Dresdner Ban	37.17	+1.1	20.3	-	2.1
ForeningsSpa	20.84	+.2	7.3	1.8	3.2
HSBC (75p)	18.76	+1.8	76.0	4.2	5.2
HSBC (HK$10)	17.63	+1.4	31.9	7.3	5.4
Halifax	10.89	-	28.3	12.2	4.2
ING Holdings	70.81	-1.4	19.4	0.1	-
LloydsTSB	10.43	+.7	58.7	5.0	3.3
Mediobanca	1.22	+.3	9.3	1.8	1.1
Merita A	4.41	+.1	3.4	1.2	3.8
Nat West	14	+.2	24.0	5.8	4.4
Nordbanken H	4.98	+.1	6.3	2.9	3.1
Paribas	60.92	-1.1	11.2	0.9	-
Rolo Banca	19.99	+.3	8.7	0.8	1.5
Royal Bk Scot	12.29	+.2	10.8	1.7	3.5
San Paolo	11.82	+.2	8.8	2.4	0.5
S-E-Banken A	10.97	+.3	6.0	1.5	3.1
Soc Generale	142.59	+3.2	14.6	0.3	2.2
Stand Chrtd	6.51	+.4	6.5	9.5	5.4
Sv Handelsb	25.94	+.7	8.5	0.3	2.0
UBS AG (Reg)	296.60	+20.2	64.0	0.8	2.1
BREWERIES, PUBS & RESTAURANTS					
Bass	12.73	+.7	10.1	1.0	-
Compass	8.25	+.1	6.6	1.2	1.1
Scot & New	11.25	+.5	7.0	0.5	3.8
Whitbread	10.97	+.3	6.4	1.3	4.3
BUILDING MATERIALS & MERCHANTS					
Blue Circle	4.04	-.1	3.1	0.5	5.2
CRH	16.50	-.5	4.1	-	1.8
[illegible]	4.87	+.1	3.2	1.1	4.6
Heidelb Zem	68.26	+.2	2.9	-	1.2
Holderbank B	[illegible]	+31.5	5.1	-	1.2
Lafarge	78.87	-1.5	[illegible]	0.2	2.4
RMC	11.47	+.3	3.0	0.3	4.2
Saint Gobain	[illegible]	+2.8	12.5	0.1	2.5
Wolseley	4.30	-	2.5	1.1	4.9
CHEMICALS					
AGA A	12.38	-	1.6	-	2.7
AGA B	12.11	-	1.4	0.2	2.7
Air Liquide	122.11	+1.8	10.6	0.1	1.7
Akzo	34.82	-.8	10.0	28.3	2.7
BASF	34.33	-	21.3	-	2.0
BOC	11.76	+.1	5.7	0.4	4.3
Bayer	33.60	+.3	24.8	-	2.8
Clar Spec Ch	86	+2.2	5.9	0.1	-
Hoechst	36.08	+.8	21.2	-	2.1
ICI	9.10	+.5	6.0	8.9	5.1
Solvay	67.68	+.8	4.8	0.1	3.0
UCB	[illegible]	+140.6	7.4	-	0.4
CONSTRUCTION					
Bouygues	[illegible]	-.8	4.4	-	1.5
Skanska B	35.38	-	3.6	0.3	3.3
DISTRIBUTORS					
Adidas-Salom	[illegible]	+4.8	4.8	-	0.8
Electrocomp	5.35	+.2	2.3	0.2	3.1
GEHE	54.87	+.1	3.6	-	1.5
Metro	71.38	-.8	3.4	-	1.2
DIVERSIFIED INDUSTRIALS					
Gambro A	9.51	-	3.3	0.1	3.3
Investor B	40.84	+.5	4.8	0.2	2.7
Investor A	48.05	+.8	2.1	-	2.8
Montedison	[illegible]	-	0.8	14.4	2.1
RWE	47.64	-.1	22.2	-	1.7
RWE Prf	33.31	[illegible]	2.7	-	2.6
Suez-Lyon de	153.16	+1.3	23.5	0.5	1.5
Tomkins	3.60	+.1	4.2	1.2	5.5
Veba	43.72	[illegible]	24.2	-	2.5
Vivendi	209.06	+4.7	21.9	0.2	1.1
ELECTRICITY					
Edison	8.37	[illegible]	6.2	2.8	1.4
Electrabel	251.36	+0.8	15.4	-	3.0
Elect de Por	21.84	+.4	6.1	-	3.8
Endesa	18.70	+.8	19.8	0.5	1.8
Iberdrola	14.84	+.3	13.5	0.9	2.3
Natl Grid	6.23	[illegible]	9.2	3.0	2.5
Nat Power	7.21	+.1	9.5	4.1	6.4
PowerGen	12.15	+.8	7.8	0.9	4.4
Scot Power	8.06	+.1	10.0	2.2	4.1
Southern E	6.52	+.3	4.1	2.7	6.1
Tractebel	[illegible]	+0.7	10.9	-	1.3
ELECTRONIC & ELECTRICAL EQPT.					
ABB A	10.45	+.3	9.9	1.4	2.2
ABB (Br)	1,122.96	+31.9	16.4	-	2.2
Alcatel SA	140.16	+3.3	20.7	0.5	1.2
Ericsson B	20.40	+.5	39.7	5.7	0.9
GEC	6.88	+.5	18.7	5.3	3.0
Lagardere	33.31	+.8	4.0	0.1	2.0
Lahmeyer	42.21	+.2	3.9	-	1.7
Legrand	211.44	+1.7	5.4	-	[illegible]
Nokia A	66.26	+2.7	38.5	0.6	0.9
Nokia K	66.86	+.5	8.4	-	1.9
Philips	54.96	+1.6	19.3	1.9	1.6
Schneider	46.91	-.5	7.5	0.7	2.1
Siemens	60.22	+2.2	36.9	-	1.3
ENGINEERING					
Atlas Copco A	20.51	+.7	2.5	0.3	2.3
Atlas Copco B	20.49	-.6	1.2	0.2	2.3
BTR	1.92	-	6.4	7.1	7.3
Brit Aero	5.82	+.1	5.0	3.5	1.5
Br Steel	1.57	-	3.1	1.9	11.7
Degussa	42.74	+2.4	3.0	-	1.8
GKN	8.63	+.1	6.8	0.6	2.3
Linde	533.94	+16.9	4.5	-	1.8
Lucasvarity	2.97	-	4.2	1.3	2.7
MAN	[illegible]	+13.7	3.6	-	2.9
Mannesmann	85.18	+.4	33.6	-	0.8
Michelin B	37.36	+1	5.1	0.4	1.8
Pirelli Spa	2.51	-	4.8	7.0	2.5
Preussag	[illegible]	+8.0	5.0	-	2.8
Sandvik A	19.24	+.5	3.8	0.2	4.9
Scania A	19.52	+.3	2.0	0.1	3.1
Scania B	19.63	+.2	2.0	0.3	3.1
Siebe	3.43	+.2	7.2	9.0	1.7
Smiths Ind	10.27	+.2	3.2	1.2	3.3
TI	6.87	+.3	3.1	0.2	4.0
Thomson CSF	29.66	+1.1	6.0	0.3	1.8
Thyssen	176.68	+2.6	6.8	-	2.9
Valmet	8.24	+.3	2.3	0.7	5.4
[illegible]	649.73	+1.3	17.1	-	1.1
Valeo	69.38	+.2	5.6	0.2	1.4
EXTRACTIVE INDUSTRIES					
Billiton	1.83	-	3.9	7.9	5.1
Rio Tinto	9.26	+.3	9.9	1.8	5.0
FOOD PRODUCERS					
A B Foods	7.71	-	6.9	0.1	2.4
Cadbury Schw	12.40	+.4	12.7	1.7	2.2
Danisco	58.13	+.1	3.6	0.1	1.4
Danone	236.31	[illegible]	17.3	0.1	1.2
Eridania B-S	174.42	+4.8	4.5	-	3.8
Nestle R	1,735.02	+8.7	68.4	0.1	1.3
Orkla A	18.86	+.4	2.5	0.4	1.8
Tate & L	6.23	-	2.8	0.1	4.0
Unilever NV	61.06	+0.3	38.6	1.9	2.8
Unilever	8.59	+.2	27.9	4.8	1.8
GAS DISTRIBUTION					
BG	5.24	-	20.6	8.7	2.8
Centrica	1.39	-	6.1	7.8	-
Gas Natural	62.02	+4.3	9.4	0.2	0.4
HEALTH CARE					
Nycomed Amer	5.53	-	3.5	0.5	1.4
HOUSEHOLD GOODS & TEXTILES					
Beiersdorf	49.88	+1.4	4.2	-	1.8
Christian Di	[illegible]	+.1	3.9	-	2.8
Electrolux B	14.04	+.6	5.0	1.1	2.0
Henkel Pf	76.46	+7.2	4.8	-	1.0
l'Oreal	511	-.8	34.5	0.1	0.8
Reckitt & C	13.48	-.4	8.8	0.3	2.7
Swatch Br	[illegible]	+13.5	1.8	-	1.2
Swatch Reg	127.84	+2.8	1.9	-	1.0
INFORMATION TECHNOLOGY					
Cap Gemini	138.14	+4.8	9.3	0.1	0.4
SAP (Prf)	528.66	+16.6	23.3	-	0.3
INSURANCE					
Axa	[illegible]	-4.7	38.9	1.2	1.5
Aachen Munk (	129.67	+8.3	7.9	-	0.6
Allianz	282.88	-.7	69.7	-	0.4
AGF	49.37	+.4	9.1	0.1	1.5
Baloise (Reg	633.00	-20.6	3.7	-	4.1
CGU	13.83	+.4	17.8	1.3	3.6
Ergo Versich	141.37	+8.4	10.7	-	0.8
Fortis AG	347.79	+4.7	18.7	0.1	1.1
Generali	28.71	+0.8	28.4	3.8	0.7
[illegible]	3.06	+.1	8.4	4.4	2.1
ING	50.48	-.3	47.9	0.3	2.3
Muench Rueck	348.84	+8.2	28.8	-	0.8
[illegible]	10.95	+.1	9.2	[illegible]	1.7
Royal Sun Al	7.57	+.1	11.8	4.8	4.8
Skandia	11.94	-.1	6.1	3.4	0.7
Swiss Re R	2,008.33	-7.3	28.4	-	1.4
Zurich Allz	528.77	+3.0	34.8	-	0.9
INVESTMENT COMPANIES					
3i Group	7.84	+.2	4.8	0.4	2.5
GBL	164.88	-1.4	4.8	-	2.4
LEISURE & HOTELS					
Accor	207.96	-1.8	7.3	-	1.8
Granada	12.25	-	11.1	0.8	2.2
Ladbroke	3.44	+.1	4.1	2.1	3.8
Rank Group	3.95	+.1	3.0	0.4	7.7
LIFE INSURANCE					
Aegon	80.64	+1.5	48.9	3.9	1.8
Alleanza Ass	10.89	+.1	7.5	1.2	0.8
Ina	2.15	-	8.6	11.8	1.7
Legal & Gen	10.07	+.2	12.9	0.9	2.4
Prudential	12.46	+.1	24.2	3.2	2.3
MEDIA					
B Sky B	6.98	+.2	12.0	3.3	1.8
Canal Plus	202.49	+1.5	6.4	0.1	1.5
Carlton C	6.16	+.4	3.7	3.1	3.8
Daily Mail A	33.89	+2.2	3.2	0.1	1.3
EMI	6.44	+.3	5.1	0.8	3.6
Elsevier	12.48	+.4	9.3	0.7	3.4
Mediaset	5.55	-	6.5	2.3	2.1
Pearson	14.26	+.4	8.7	1.1	2.5
Polygram	48.85	+.2	8.8	0.3	0.8
Reed Int	7.34	+.1	8.4	3.5	3.7
Reuters	7.84	+.3	10.9	2.5	3.2
Utd News	9.15	-	4.6	1.6	2.8
WPP	4.25	-	3.8	1.0	0.2
Wolters Kluw	158.65	+2.3	11.0	0.6	0.6
OIL, EXPLORATION & PRODUCTION					
[illegible]	5.12	-	2.6	[illegible]	5.6
Lasmo	2.27	-1	2.2	9.8	1.5
OIL, INTEGRATED					
BP	11.65	+.5	60.3	[illegible]	3.5
Burmah Cstl	13.81	-	2.9	0.4	3.0
[illegible]	8.32	+.2	42.8	28.3	2.7
Norsk Hydro	34.39	+2.4	3.9	0.3	2.5
[illegible]	89.86	+2.7	2.4	25.1	2.1
Petrofina	337.74	+.8	7.9	-	2.5
Repsol	41.86	+.8	12.5	0.8	2.1
Royal Dutch	43.11	+1.1	92.5	5.3	3.2
Shell Trans	5.35	-	53.2	16.6	3.9
Elf Aquitain	102.38	-.3	28.1	0.6	2.2
Total B	95.66	-1.4	23.9	0.6	2.1
OTHER FINANCIAL					
Amvescap	6.88	+.4	4.5	1.2	1.5
CLF Dexia	121.24	+2.6	4.5	0.1	2.2
Dexia	142	+0.4	5.2	0.1	0.7
[illegible]	12.20	+.1	7.2	1.9	3.8
Prov Finl	13.32	+.1	3.5	0.1	2.9
Schroders	18.25	-.7	5.2	0.2	1.5
PAPER PACKAGING & PRINTING					
Alusuisse-Lo	1,004.67	+39.6	9.1	-	-
Assidoman	20.24	-.5	2.4	-	3.0
[illegible]	48.59	+.8	2.8	0.2	1.8
SCA A	19.26	+.4	1.2	-	3.3
SCA B	19.52	-	2.5	0.2	3.3
Stora A	18.73	+.3	2.5	0.5	3.8
UPM-Kymmene	18.04	+0.3	5.5	0.3	4.5
PHARMACEUTICALS					
Astra A	14.76	-	24.1	8.1	1.3
Glaxo Wellcm	28.02	+.2	99.9	3.9	1.9
Novartis R	1,463.76	+62.8	100.8	0.2	1.1
Novo Nordisk	120.28	+1.6	8.1	0.2	0.8
Rhone Poulnc	41.38	-.8	10.6	1.9	1.4
Roche Hold G	[illegible]	+201.2	84.4	-	0.5
Sanofi	117.88	+1.2	[illegible]	0.2	0.8
Schering	98.87	+1.6	9.5	-	1.4
SmKl Bchm	11.15	+.3	62.2	11.2	1.6
Synthelabo	144.94	-4.5	7.0	-	0.8
Zeneca	33.66	+1.0	32.1	1.0	2.1
PROPERTY					
Br Land	8.16	+.3	4.3	1.3	2.1
Land Sec	13.13	-.1	7.3	0.3	3.8
MEPC	7.17	-.1	2.8	1.1	4.8
RETAILERS, FOOD					
Asda	2.72	-	8.3	0.9	2.4
Ahold	28.45	-.7	16.8	2.2	1.3
Carrefour	545.80	-24.8	21.8	0.1	0.8
Casino	82.82	+1.8	7.3	0.2	1.4
Promodes	685.79	-8.8	12.7	-	0.8
Safeway	4.81	+.1	5.3	1.8	5.3
Sainsbury	7.94	+.2	15.3	2.8	3.2
Tesco	2.49	-	16.6	8.1	2.6
RETAILERS, GENERAL					
Boots	14.94	-.4	13.1	2.1	2.9
Dixons	8.18	-	3.6	3.1	2.8
GUS	10.99	-	11.0	1.4	3.4
H & M B	62.70	+1.7	[illegible]	0.2	0.5
Kingfisher	7.48	+.1	10.1	[illegible]	2.6
Marks & S	7.90	-.2	21.5	7.8	3.4
Metro AG	48.96	-	11.7	-	2.1
Pinault Prin	142.28	-4.5	17.3	0.2	0.8
SUPPORT SERVICES					
Adecco (Br)	404.35	+10.8	8.8	-	0.8
Hays	11.71	+.5	5.0	0.3	1.3
[illegible]	140.67	+.3	1.8	-	1.1
[illegible]	140	-.4	3.8	-	1.1
Rentokil Int	5.08	-.2	14.5	4.8	1.2
Sodexho	171.38	+4.8	5.7	-	0.8
TNT Post Grp	22.76	+.8	10.8	1.5	0.6
Williams	4.82	-.1	3.4	1.9	5.0
TELECOMMUNICATIONS					
BT	11.83	+.2	75.1	9.1	3.9
Cable & W	9.17	+.6	22.0	3.5	1.9
Deutsche Tel	27.31	+1.4	18.8	-	2.1
France Telec	65.37	+.3	15.2	1.2	1.5
Olivetti	1.82	+.1	6.8	57.9	-
Orange	8.80	+.1	10.5	2.0	-
Portugal Tel	40.86	+.1	5.7	-	2.2
Royal KPN	32.12	+.1	15.3	2.8	2.8
[illegible]	4.84	+.4	4.2	0.6	0.5
Tele Danmark	96.49	+1.8	10.7	0.3	2.4
Telecom Ital	7.19	-.2	47.9	14.8	1.4
TIM	6	+.3	45.0	12.1	0.7
Telefonica	33.94	+.2	34.7	4.8	1.4
Vodafone	11.78	+.9	36.4	9.6	0.9
TOBACCO					
BAT Inds	8.44	-	26.4	-	4.9
Gallaher	5.85	+.3	4.0	1.3	6.0
Imperial Tob	7.61	-	4.0	2.5	5.2
Richemont A	981.40	+19.6	4.7	-	1.5
TRANSPORT					
Assoc	13.45	+.4	3.4	0.2	2.5
BAA	8.85	-	9.4	2.5	2.8
D/S 1912 B	5,612.52	+72.3	3.0	-	0.1
D/S Svendbor	7,804.84	+39.3	2.9	-	0.1
Lufthansa	21.18	-.8	4.8	-	2.2
P & O	10.02	-	6.4	2.4	5.8
Railtrack	20.84	-.1	10.6	2.1	2.1
Stagecoach	16.09	-	4.2	0.1	1.4
WATER					
Anglian Wtr	12.80	-.2	3.5	0.4	3.6
Severn Trent	14.97	-.1	5.1	0.2	4.2
Thames Water	15.89	-.1	5.5	0.4	4.5
Utd Utils	12.68	-.7	6.9	1.4	5.1

Notes

Price data and market capitalisations supplied by FTSE International. Market capitalisation figures are based on shares used in index calculations. Shares are not counted where foreign ownership restrictions apply. Market caps may include secondary lines not eligible as constituents. Stocks in bold type are domiciled in Emu countries. Trading volumes and yields derived from local domestic markets and supplied by Extel, part of FT Information.

Company classifications are based on those used for the FTSE Eurotop share indices.

Prices of stocks may move on public holidays due to currency fluctuations.



Gilts move higher on rate cut hopes

GOVERNMENT BONDS

By Jeremy Grant

Continental European bond prices ended weak yesterday as stock prices firmed, but in the UK gilts were sharply higher on heightened expectations that a cut in interest rates had moved on to the agenda.

With the US bond market closed for the Labor Day holiday, Europe was left to its own devices and trading was thin.

However, bonds received some underlying support from positive market reaction to comments on Friday by Alan Greenspan, Federal Reserve chairman, in which he appeared to support a rate cut in the US.

Some analysts said if the US were to follow through with a cut, this might herald a turning point for bond market yield curves, particularly in the US.

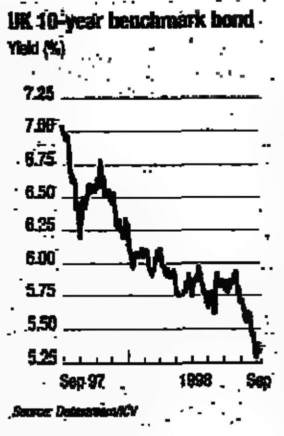
"I would expect a return to normally shaped yield curves. The bond market has come close to pricing in deflation. If that can be avoided through rate cuts, then we'd get a more normally sloped yield curve," said Marian Bell, head of Treasury research at Royal Bank of Scotland.

However, until the Russian crisis is resolved and worries over Asia diminish, bonds are likely in the short term to remain well-bid, most analysts agreed.

"Overall, the big picture hasn't changed a lot. It's difficult to read much into today's market as today's volume has been so thin. But the global risks that we face are very much still with us," said Andy Bevan, senior international bond economist at Goldman Sachs.

UK GILTS outperformed bunds as prices rallied on expectations of a UK rate cut when the Bank of England's monetary policy committee (MPC) meets this week. Short sterling futures also rose strongly.

UK 10-year benchmark bond



Source: Datastream/ICV

The December 10-year gilt future settled up 0.36 points at 112.62 in volume of 37,000 contracts traded in London. In the cash market, the spread between the gilt and bund contracts was at 112 basis points in late trade, 8 points narrower than Friday's position in late trade.

Mr Bevan said the consensus among analysts appeared to be that the Bank of England will not change rates. "But there's a growing chance of something before the end of the year and although that's priced in, sentiment shifting in that direction will be supportive for gilts."

The December short sterling contract closed 0.035 points higher at 92.815, pricing in a rate cut before the end of the year. The result of the MPC's meeting will be released on Thursday.

The gilt market was further cheered by comments on Sunday from Giles Radice, an influential Labour member of parliament, that world events were providing a strong case against raising interest rates.

However, traders said gilts were likely to trade in a narrow range until Thursday. Today, the market will also have to digest the release late last night of the British Retail Consortium's monthly sales monitor. That was likely to offer clues as to the strength of consumer spending in the UK.

GERMAN BUNDS drifted lower in lacklustre trading as equity markets moved higher and activity was quiet due to the US holiday.

The December 10-year bund future settled at 111.97, down 0.24 points, in volume of 200,000 contracts traded on Eurex in Frankfurt.

Traders said the roll-over from September to December futures failed to spur activity, as most participants had already switched into the new contracts before the September 8 expiry date.

They said the market would continue to watch developments in Russia. Yesterday, the Russian parliament rejected prime ministerial nominee Victor Chernomyrdin in the second of three possible votes, setting the stage for more market uncertainty.

Investors will also be looking to tomorrow's release of second-quarter gross domestic product figures for clues as to the pace of German economic growth.

ISMA condemns interest tax plans

By Edward Luce, Capital Markets Editor

The International-Securities Markets Association, the leading trade association for the bond markets, yesterday condemned as "extremely damaging" European Union plans to introduce a 20 per cent withholding tax on interest payments in Europe.

The proposal, put forward in May, would increase the cost of borrowing in Europe and could drive the debt markets offshore, said ISMA in its first official response to the plan.

ISMA said the tax, which would be levied on bond coupon payments and interest payments on bank accounts, would result in negligible extra tax revenues for EU governments owing to its poor drafting.

The tax was mooted as part of a drive to crack down on tax evasion and to harmonise tax regimes between member governments. However, ISMA said it would simply drive business into other developed markets such as the US.

"It is highly unlikely that the directive would raise significant additional revenue," said the paper. "It is for this reason that the US abolished withholding tax on portfolio interest in 1984."

ISMA outlined a further three objections to the plan.

First, it would cause significant losses to existing bondholders by triggering the early "call" – or redemption – of bonds by issuers.

Second, it has not been harmonised with the approach of other non-EU developed governments. Last, it would result in heavy administrative costs for savers and governments alike.

RUSSIA CHANGE TO FOREIGN EXCHANGE REGIME HAS LITTLE EFFECT ON OVERALL PACKAGE

Central bank adjusts debt swap plan

By Jeremy Grant

The Russian central bank yesterday tweaked the foreign exchange regime that is to be used in its long-awaited domestic debt restructuring scheme, improving terms marginally for investors who choose to swap their rouble paper for dollar-denominated debt.

But the move has little effect on the overall package, which is almost certain to force investors to absorb losses on their original investments of up to 95 per cent, bankers said.

Moscow last week announced final conditions for the exchange of $40bn in Treasury bills – GKOs and longer-dated bonds known as OFZs – into a mixture of rouble and dollar paper. The forced swap applies to paper maturing before end-1999.

It was announced two months ago as a way of easing the pressure of Russia's crushing domestic debt burden. But it was repeatedly delayed as it fell victim to the uncertainty surrounding the country's political crisis.

Bankers had expected Moscow to issue a "term sheet" giving details of how the forced swap is to work. However, the government last week issued a decree that investors are treating as its final word on the matter.

Broadly, it sets out two options. The first is for investors to swap 20 per cent of their GKO and OFZ holdings into eight-year eurobonds carrying a coupon of 5 per cent.

The exchange rate to determine the value of the new bonds was yesterday adjusted from 7.1549 to 6.9494 roubles to the dollar.

"That allows you to get about 3 per cent more dollars for your money. Your swap is going to be at a more favourable rate," said Marcel Cassard, emerging markets economist at Deutsche Bank.

A further 75 per cent of the original holding is to be converted into three rouble bonds maturing in three, four and five years, paying interest rates of 30, 25 and 20 per cent respectively.

The remaining holding of 5 per cent will be repaid in cash, but the funds must be held in a special account that does not permit repatriation until November.

The second option allows for 95 per cent of the original holding to be swapped into rouble paper on the same terms, with an identical 5 per cent cash option.

However, all the new securities are non-tradable, in an apparent attempt to prevent investors immediately selling their paper and adding to capital flight.

Investors have until September 18 to decide which of the options to take. Foreign and non-resident investors have $17bn in GKO and OFZ holdings.

Although the details of the debt exchange have now been made clear, investors are resigned to sustaining losses and are more concerned with the fate of $10bn in forward foreign exchange contracts that many of them acquired from Russian banks as hedges against their holdings in GKOs and OFZs.

The contracts have not been repaid as they are covered by the government's 90-day debt moratorium.

NEWS DIGEST

SPANISH IPOS

Bodegas Paternina issue tests investor appetite

The first initial public offering from Spain since its stock market plummeted in the wake of Russia's financial crisis got under way yesterday, testing continued investor appetite for new issues in difficult market conditions.

Bodegas Paternina, a maker of fine wines, is selling up to 30 per cent of its shares in the IPO and set a price range of Pta2,279 to Pta2,605 for the 1.65m shares on offer, valuing the company at up to Pta16bn ($109m).

Marcos Eguizabal, chairman and owner of Paternina, said that he had "complete confidence" in the company, which makes wines and sherries. It will be one of five Rioja wine companies to be listed in Madrid.

The share offering is expected to close by the middle of September, with tranches aimed at domestic retail investors and at Spanish and international institutions. The retail element will be watched especially closely for any indication that local investors have become more wary of investing in equities since the stock market fell.

Banco Santander is lead manager for the IPO, one of a lengthening queue of small-capitalisation flotations due to come to the market in the next few months. Some of these may have to be postponed or reduced in size if difficult market conditions persist, but most are expected to be completed on schedule, bankers said. Vincent Boland

CREDIT RATINGS

S&P may downgrade BSkyB

Standard & Poor's yesterday warned it may downgrade the credit rating of British Sky Broadcasting if it goes ahead with the possible £575m takeover of Manchester United, the British football club.

The agency warned that the takeover would double BSkyB's net debt position if the operation was wholly financed through the debt markets. The company, which has a credit rating of BBB minus, has existing debt of £518m (excluding capitalised operating leases).

The move, which changes BSkyB's outlook from stable to negative, would reduce the company to sub-investment grade, or "junk", status. However, S&P said it would modify its view if there was a substantial equity component. Equally, it said rival offers for the club and regulatory concerns over BSkyB's competitive position would have an effect on its rating. Edward Luce

Moody's changes RBS outlook

Moody's Investors Service has altered Royal Bank of Scotland's rating outlook from stable to negative to reflect its acquisition of a 23.5 per cent stake in Citizens Financial Group. The stake, purchased from Bank of Ireland, had resulted in a "marginal decline in the bank's economic capital cushion" relative to its risk profile. The bank's senior debt rating is Aa3. Edward Luce

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

[illegible]	[illegible]	[illegible]

London closing. *New York closing. Yields: Local market standard. Source: Interactive Data/FT Information

10 YEAR BENCHMARK SPREADS

[illegible]	[illegible]	[illegible]

EMERGING MARKET BONDS

[illegible]	[illegible]	[illegible]

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information

BOND FUTURES AND OPTIONS

France

[illegible]	[illegible]	[illegible]

Germany

[illegible]	[illegible]	[illegible]

Italy

[illegible]	[illegible]	[illegible]

Spain

[illegible]	[illegible]	[illegible]

UK

[illegible]	[illegible]	[illegible]

US

[illegible]	[illegible]	[illegible]

Japan

[illegible]	[illegible]	[illegible]

Ecu

[illegible]	[illegible]	[illegible]

US CORPORATE BONDS

[illegible]	[illegible]	[illegible]

US INTEREST RATES

[illegible]	[illegible]	[illegible]

INTERNATIONAL BONDS

[illegible]	[illegible]	[illegible]

UK BONDS

FTSE Actuaries Govt. Securities

[illegible]	[illegible]	[illegible]

UK Indices

FT Fixed Interest Indices

[illegible]	[illegible]	[illegible]

UK GILTS PRICES

[illegible]	[illegible]	[illegible]

Other Fixed Interest

[illegible]	[illegible]	[illegible]

هكذا من الاصل

Greenspan's hint of cut hurts dollar

MARKETS REPORT

By Simon Kuper

Traders think the US will soon cut interest rates, and so the dollar has dropped to a new 1998 low against the D-Mark and a four-month low against the yen.

The impetus came from Alan Greenspan, chairman of the Federal Reserve. He said in a speech in California late on Friday, after the main markets had closed, that inflation was no longer the primary danger to the US. By the time the Fed's open market committee met in August, "the risks had become balanced".

The FOMC would "need to consider carefully the potential ramifications of ongoing developments since the (August) meeting," Mr Greenspan said. Kenneth Landon, senior currency economist at Deutsche Bank in Tokyo, notes that the main such development is the collapse in global stock markets. That would seem to point towards a rate cut.

It therefore looks to most market strategists as though the Fed has moved from its tightening bias towards a neutral stance or even a bias to cut rates. Eurodollar futures contracts have rallied to price in a cut in the federal funds rate of 5.50 per cent by the end of the year.

The chance of a US rate cut boosted commodity prices, helping the Canadian, Australian and New Zealand dollars.

The US dollar also suffered as Robert Rubin, US treasury secretary, said again late on Friday that he "shared Japanese concerns about the weakness of the yen". Mr Rubin said at the same time that "the strong dollar serves our interest". However, the market paid more attention to his words on the yen, because these suggested that the US might after all support a Japanese intervention for the currency. This weekend Mr Rubin met Kiichi Miyazawa, Japan's finance minister.

The rise in the yen boosted the Nikkei, and a fading in the global financial panic aided other Asian stock markets and curencies.

Neil MacKinnon, of the hedge fund advisers Burke & MacKinnon in London, said the yen's rise in recent weeks had been spurred by the hedge funds. Many had lost money on Russian assets, which they had bought with borrowed yen, and had been forced to repay the yen.

The dollar, which last week hit its year-low against the D-Mark and dropped sharply against the yen, fell further yesterday. In thin trading, with the US closed for Labour Day, it dropped Y2.6 against the yen and 1 pfg against the D-Mark to close in London at Y131.7 and DM1.725. Mr MacKinnon said the Bundesbank was unlikely to be pleased with the D-Mark's recent surge, given that it did not want the euro too strong when European monetary union starts in January.

■ The pound is suffering with the dollar, but it also has problems of its own.

The market reckons that if the US is considering a rate cut, with American job growth still strong, then UK rates could be due a collapse.

Short sterling futures contracts have been rising sharply to express the lower outlook for rates. Yesterday the June 1999 contract gained 12 basis points, and it now prices in base rates of about 6.50 per cent, compared with 7.50 per cent today. The short sterling curve is pricing in the first UK cut for this autumn.

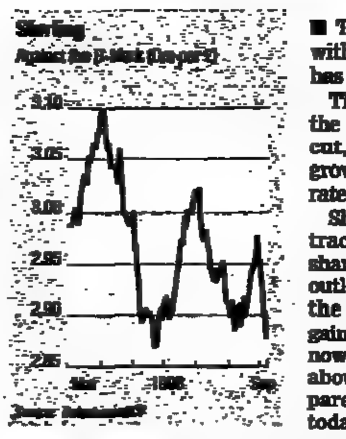
The fading in the global panic is also hurting the pound, because the currency was treated as a safe haven from the Asian and Russian crises in recent weeks. ABN-Amro yesterday argued that the UK is much less of a haven than it might look. UK bank loans to Asia excluding Japan amounted to 7.1 per cent of British gross domestic product last year, while Japanese bank loans to the rest of Asia were just 5.9 per cent of Japan's GDP. The UK also exports more of its GDP to Asia than the European Union average. So ABN-Amro sees a "risk for the pound of the protracted recession in Asia".

Sterling fell 2.3 pfgs against the D-Mark and 0.4 cents against the dollar to DM2.879 and $1.669. The Bank of England's monetary policy committee meets tomorrow and Thursday.

■ The Russian rouble fell again yesterday as the Duma failed to confirm Viktor Chernomyrdin as premier.

Sterling

Against the D-Mark (DM per £)



Source: Datastream

■ POUND IN NEW YORK

Sep 4	—Close—	—Prev. close—
£ spot	1.6705	1.6740
1 mth	1.6670	1.6712
3 mth	1.6625	1.6660
1 yr	1.6450	1.6480

■ OTHER CURRENCIES

Sep 7	£	$
Czech Rp	[illegible] - 51.0698	30.5410 - 30.6800
Hungary	370.052 - 370.785	221.780 - 222.080
Iran	[illegible] - 5005.60	3000.00 - 3000.00
Kuwait	0.5074 - 0.5082	0.3041 - 0.3044
Peru	5.0826 - 5.0808	3.0480 - 3.0480
Poland	6.0487 - 6.0773	3.6250 - 3.6400
Russia	[illegible]	[illegible] - 21.0600
U.A.E.	6.1280 - 6.1325	3.6727 - 3.6731

WORLD INTEREST RATES

MONEY RATES

Sep 7	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅝	3⅝	3⅝	3⅝	3⅝	6.00	2.75	-
France	3⅝	3⅝	3⅝	3⅝	3⅝	4.60	-	3.30
Germany	3⅜	3⅜	3⅜	3⅜	3⅝	4.50	2.50	3.30
Ireland	6¼	6⅛	5⅞	4⅞	4⅝	-	-	6.75
Italy	5¼	5¼	5¼	4⅞	4⅝	6.50	5.00	4.99
Netherlands	3⅜	3⅜	3⅜	3⅜	3⅝	-	2.75	3.30
Switzerland	1½	1⅜	1⅜	1⅜	1⅜	-	1.00	-
US	5⅝	5½	5⅝	5⅝	5⅜	-	5.00	-
Japan	½	½	¼	¼	¼	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	5⅝	5⅝	5⅝	5⅝	-	-	-
US Dollar CDs	-	5.49	5.38	5.32	5.26	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4	3⅞	-	-	-
SDR Linked Ds	-	3⅝	3⅝	3⅝	4	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 7	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3⅜	3½ - 3⅜	3½ - 3⅜	3⅝ - 3½
Danish Krone	3⅞ - 3¾	4¼ - 4	4⅛ - 4⅛	4¼ - 4⅛	4¼ - 4⅛	4⅜ - 4¼
German Mark	3¾ - 3⅝	3⅜ - 3¼	3⅜ - 3⅜	3½ - 3⅜	3⅝ - 3½	3⅝ - 3½
Dutch Guilder	3⅜ - 3⅜	3⅜ - 3¼	3⅜ - 3⅜	3½ - 3⅜	3⅝ - 3½	3⅝ - 3½
French Franc	3⅝ - 3⅜	3⅝ - 3⅜	3¾ - 3⅝	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½
Portuguese Esc.	4⅛ - 4⅜	4⅜ - 4¼	4⅜ - 4¼	4⅜ - 4¼	4¼ - 4⅛	3⅞ - 3⅞
Spanish Peseta	4⅝ - 4⅛	4⅝ - 4½	4½ - 4⅜	4⅜ - 4⅜	4¼ - 4⅛	4 - 3⅞
Sterling	7½ - 7½	7¾ - 7½	7¾ - 7⅝	7⅝ - 7½	7½ - 7⅜	7¼ - 7⅛
Swiss Franc	1½ - 1¼	1⅜ - 1¼	1⅝ - 1½	1⅝ - 1½	1⅝ - 1½	1⅝ - 1½
Canadian Dollar	4⅞ - 4⅜	5⅜ - 5⅛	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼
US Dollar	5¼ - 5¼	5⅝ - 5½	5¾ - 5⅝	5⅝ - 5½	5⅝ - 5½	5⅜ - 5¼
Italian Lira	5⅝ - 5½	5⅜ - 5¼	5⅛ - 5⅜	5¼ - 5⅛	4⅞ - 4¾	4⅝ - 4½
Japanese Yen	½ - ¼	½ - ¼	½ - ⅜	½ - ⅜	½ - ⅜	½ - ⅜
Asian $Sing	½ - ¼	3½ - 3¼	4½ - 4¼	4⅞ - 4⅝	5 - 4¾	5 - 4¾

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.45	96.45	-	96.45	96.40	2,064	40,570
Dec	96.43	96.42	-0.01	96.44	96.42	2,029	89,500

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.490	96.500	+0.010	96.510	96.490	20857	471197
Dec	96.380	96.395	+0.010	96.400	96.370	42642	527654
Mar	96.440	96.465	+0.015	96.470	96.435	28293	504512
Jun	96.400	96.430	+0.020	96.435	96.400	21565	268810

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM5m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		96.535	+0.010			0	0
Oct		96.525	+0.010			0	0

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.010	95.040	+0.030	95.050	95.000	10230	107300
Dec	95.170	95.230	+0.060	95.230	95.160	17543	166789
Mar	95.420	95.430	+0.010	95.440	95.420	3125	276801
Jun	95.380	95.400	+0.020	95.410	95.380	1632	63637

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.330	98.370	+0.030	98.380	98.320	3662	61941
Dec	98.230	98.280	+0.040	98.310	98.210	11606	74099
Mar	98.230	98.270	+0.030	98.300	98.210	4419	37527
Jun	98.120	98.160	+0.040	98.200	98.120	1603	23158

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		99.27	-			0	na
Dec		99.30	-			0	na
Mar		99.35	-			0	na

* LIFFE futures also traded on APT

■ THREE MONTH EURO FUTURES (LIFFE) Eur1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct	-	96.630	-0.020	-	-	0	0
Dec	96.275	96.265	-0.010	96.300	96.270	525	6333
Mar	-	96.445	-0.035	-	-	0	5100
Jun	-	96.405	-0.035	-	-	0	2071

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
95125	0.040			0.125		
95250	0.020	0.085	1.200	0.230	0.015	0.020
95375	0.010			0.345		

Est. vol. total, Calls 1346 Puts 1990. Previous day's open int., Calls 177289 Puts 145377

POUND SPOT FORWARD AGAINST THE POUND

Sep 7		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.2800	-0.1516	511 - 085	20.3487	20.1580	20.194	3.9	20.0633	3.9	19.5961	3.3	103.4
Belgium	(BFr)	59.4000	-0.4625	454 - 545	59.9730	59.1260	59.2006	4.0	58.8102	4.0	57.4076	3.4	103.1
Denmark	(DKr)	10.9544	-0.0879	494 - 593	11.0398	10.9175	10.9268	3.0	10.8743	2.9	10.6854	2.5	106.4
Finland	(FM)	8.7594	-0.0705	528 - 660	8.8260	8.7160	8.7308	3.9	8.6728	3.9	8.4634	3.4	82.1
France	(FFr)	9.6524	-0.079	478 - 570	9.7291	9.6058	9.6206	3.8	9.558	3.9	9.3316	3.3	106.5
Germany	(DM)	2.8792	-0.0231	780 - 804	2.8918	2.8640	2.8697	4.0	2.8509	3.9	2.783	3.3	104.8
Greece	(Dr)	495.130	-6.228	790 - 471	501.708	492.848	497.448	-5.9	502.157	-5.7	521.558	-5.3	69.5
Ireland	(I£)	1.1480	-0.0162	457 - 503	1.1528	1.1442	1.1468	1.2	1.1435	1.6	1.1171	2.7	95.3
Italy	(L)	2844.10	-22.38	296 - 525	2864.64	2829.88	2838.88	2.2	2827.08	2.4	2782.7	2.9	78.3
Luxembourg	(LFr)	59.4000	-0.4625	454 - 545	59.9730	59.1260	59.2006	4.0	58.8102	4.0	57.4076	3.4	103.1
Netherlands	(Fl)	3.2501	-0.0252	483 - 519	3.2717	3.2220	3.2388	4.1	3.2171	4.1	3.1367	3.4	102.6
Norway	(NKr)	12.8553	-0.0376	507 - 599	12.8993	12.7693	12.8628	-0.7	12.8673	-0.4	12.8271	0.2	91.9
Portugal	(Es)	294.765	-2.846	625 - 905	296.410	293.848	293.996	3.1	292.402	3.2	285.527	3.1	93.4
Spain	(Pta)	244.431	[illegible]	318 - 545	245.590	243.280	243.825	3.0	242.588	3.1	236.930	3.1	77.3
Sweden	(SKr)	13.2335	-0.0550	250 - 476	13.2848	13.1444	13.1982	3.2	13.1307	3.1	12.8909	2.5	82.8
Switzerland	(SFr)	2.3590	-0.0288	584 - 596	2.3744	2.3444	2.3436	5.8	2.321	5.8	[illegible]	5.1	109.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	103.4
Ecu	-	1.4635	-0.0081	624 - 646	1.4762	1.4582	1.4597	3.2	1.4516	3.2	1.4180	3.1	-
SDR†	-	[illegible]	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6688	-0.0032	683 - 693	1.6736	1.6638	-	-	-	-	-	-	-
Brazil	(R$)	1.9861	-0.005	854 - 868	1.9927	1.9814	-	-	-	-	-	-	-
Canada	(C$)	2.5379	-0.0226	368 - 395	2.5518	2.5248	2.5349	1.7	2.5269	1.7	2.5044	1.3	77.4
Mexico	(New Peso)	16.9864	-0.004	446 - 882	17.0581	16.8701	17.4566	-34.7	18.282	[illegible]	22.1069	[illegible]	-
USA	($)	1.6691	-0.0041	686 - 695	1.6740	1.6650	1.6665	1.9	1.6613	1.9	1.642	1.8	108.8
Pacific/Middle East/Africa													
Australia	(A$)	2.8242	-0.0285	210 - 274	2.8496	2.8071	2.8185	2.4	2.8075	2.4	2.7726	1.8	77.7
Hong Kong	(HK$)	12.9330	-0.0151	283 - 377	12.9767	12.9025	12.9305	0.2	12.97	-1.1	13.3712	-3.4	-
India	(Rs)	71.0202	-0.1184	[illegible]	71.2460	70.8290	-	-	-	-	-	-	-
Indonesia	(Rupiah)	17922.01	[illegible]	639 - 342	18160.50	17571.70	18877.83	-64.0	20040.15	-65.3	28380.31	-67.9	-
Israel	(Shk)	6.4587	+0.0365	440 - 734	6.4736	6.3821	-	-	-	-	-	-	-
Japan	(Y)	219.787	-4.982	638 - 936	224.630	217.770	218.802	7.0	215.892	7.0	205.732	6.4	118.4
Malaysia	(M$)	6.3428	-0.0158	407 - 446	6.3694	6.3272	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.2792	-0.0286	750 - 834	3.3125	3.2588	3.2746	1.7	3.2664	1.6	3.2540	0.8	90.9
Philippines	(Peso)	72.1082	-1.014	167 - 997	72.2945	71.8899	72.6106	-8.4	73.5808	-8.2	78.6522	-9.1	-
Saudi Arabia	(SR)	6.2594	-0.015	561 - 627	6.2812	6.2484	6.2557	0.9	6.2447	1.0	6.2062	0.9	-
Singapore	(S$)	2.8837	-0.0418	803 - 871	2.9223	2.8769	2.8784	2.2	2.8706	1.8	2.8434	1.4	-
South Africa	(R)	10.2733	-0.142	535 - 931	10.3927	10.2526	10.3958	-14.3	10.6486	-14.6	11.7360	-14.2	-
South Korea	(Won)	2242.44	-4.67	768 - 720	2254.07	2229.75	-	-	-	-	-	-	-
Taiwan	(T$)	57.5738	-0.4750	[illegible]	[illegible]	57.4425	57.5610	0.3	57.7046	-0.9	58.4468	-1.5	-
Thailand	(Bt)	67.8239	-0.4176	452 - 026	68.6790	67.7480	68.2193	-7.8	69.3336	-8.0	[illegible]	-8.9	-

† Rates for Sep 4. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the Internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.1300	-0.0986	385 - 390	12.1692	12.0540	12.1174	2.1	12.077	2.0	11.9285	1.7	103.3
Belgium	(BFr)	35.5300	-0.202	080 - 180	35.6800	35.3640	35.5235	2.2	35.4005	2.1	34.853	1.8	103.1
Denmark	(DKr)	6.5830	-0.0425	820 - 840	6.5880	6.5270	6.5565	1.2	6.5458	1.0	6.5077	0.8	103.7
Finland	(FM)	5.2480	-0.0291	455 - 505	5.2827	5.2125	5.2380	2.1	5.2213	2.0	5.1545	1.8	81.5
France	(FFr)	5.7830	-0.033	820 - 840	5.7980	5.7440	5.7729	2.1	5.7534	2.0	5.6632	1.7	106.3
Germany	(DM)	1.7250	-0.0098	245 - 252	1.7318	1.7130	1.722	2.1	1.7161	2.1	1.6940	1.7	104.5
Greece	(Dr)	296.645	-2.955	530 - 760	298.120	294.820	298.495	-7.5	302.295	-7.6	317.645	-7.1	80.3
Ireland	(I£)	1.4530	+0.0082	514 - 564	1.4610	[illegible]	1.4531	0.6	1.4527	0.3	1.4698	-1.1	-
Italy	(L)	1703.50	-8.2	280 - 415	1708.00	1691.90	1703.45	0.4	1701.73	0.6	1682.53	1.3	78.1
Luxembourg	(LFr)	35.5300	-0.202	080 - 180	35.6800	35.3640	35.5235	2.2	35.4005	2.1	34.853	1.8	103.1
Netherlands	(Fl)	1.9472	-0.0103	467 - 477	1.9521	[illegible]	1.9436	2.2	1.9365	2.2	1.9122	1.8	102.4
Norway	(NKr)	7.7020	-0.0835	015 - 024	7.7196	7.6475	7.7184	-2.6	7.7454	-2.3	7.8122	-1.4	91.7
Portugal	(Es)	176.595	-1.15	570 - 620	177.000	175.900	176.405	1.3	176.01	1.3	173.885	1.5	93.0
Spain	(Pta)	146.445	-0.815	420 - 470	146.740	145.510	146.305	1.1	146.011	1.2	144.3	1.5	77.1
Sweden	(SKr)	7.9305	-0.0138	290 - 310	7.9491	7.8620	7.9195	1.4	7.904	1.2	7.8546	0.9	83.3
Switzerland	(SFr)	1.4109	-0.0125	104 - 114	1.4210	1.4000	1.4062	4.0	1.3971	3.9	1.3612	3.5	108.0
UK	(£)	1.6691	-0.0041	686 - 695	1.6740	1.6650	1.6665	1.9	1.6613	1.9	1.642	1.8	108.8
Ecu	-	1.1405	+0.0042	400 - 410	1.1482	1.1325	1.1419	-1.3	1.1448	-1.4	1.1577	-1.5	-
SDR†	-	0.73905	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	+0.0005	[illegible]	0.9999	[illegible]	-	-	-	-	-	-	-
Brazil	(R$)	1.1780	-	779 - 780	1.1785	1.1779	-	-	-	-	-	-	-
Canada	(C$)	[illegible]	[illegible]	205 - 210	1.5236	1.5190	1.5207	-0.1	1.5211	-0.1	1.5252	-0.3	77.0
Mexico	(New Peso)	10.1650	+0.0025	500 - 750	10.1800	10.1500	10.476	-38.8	11.085	-35.4	13.495	-32.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	112.0
Pacific/Middle East/Africa													
Australia	(A$)	1.6920	-0.0117	906 - 935	1.7027	1.6840	1.6912	0.0	1.6898	0.6	1.6775	0.8	77.4
Hong Kong	(HK$)	7.7495	+0.01	490 - 495	7.7495	7.7350	7.759	-1.5	7.8072	-3.0	8.1425	-5.1	-
India	(Rs)	42.5500	-0.0125	400 - 800	42.5620	[illegible]	42.98	-12.1	43.8	-11.8	47.045	-10.6	-
Indonesia	(Rupiah)	10737.50	-212.5	000 - 500	10900.00	10530.00	11327.5	-66.0	12650	-67.5	17237.5	-60.5	-
Israel	(Shk)	3.8696	+0.0313	619 - 772	3.8779	3.8338	-	-	-	-	-	-	-
Japan	(Y)	131.680	-2.695	630 - 730	134.610	130.550	131.11	5.2	129.98	5.2	125.280	4.8	116.0
Malaysia	(M$)	3.8000	-	000 - 000	3.8001	3.8000	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.9646	-0.0111	627 - 665	1.9814	1.9540	1.9677	-1.8	1.9731	-1.7	1.9919	-1.4	-
Philippines	(Peso)	43.2000	-0.5	000 - 000	43.3000	43.1000	43.67	-10.3	44.297	-10.2	47.9015	-10.9	-
Saudi Arabia	(SR)	3.7508	+0.0003	505 - 510	3.7530	3.7505	3.7538	-1.0	3.759	-0.6	3.7798	-0.8	-
Singapore	(S$)	1.7277	-0.0208	262 - 292	1.7490	1.7230	1.7272	0.3	1.726	-0.1	1.7317	-0.2	-
South Africa	(R)	6.1550	-0.0690	400 - 500	6.2160	6.1400	6.208	-10.2	6.41	-10.6	7.1476	-16.1	-
South Korea	(Won)	1343.50	+0.5	100 - 600	1347.00	1334.00	-	-	-	-	-	-	-
Taiwan	(T$)	34.4550	-0.1986	300 - 600	34.5050	34.4000	34.94	-1.6	34.735	-2.8	35.695	-3.2	-
Thailand	(Bt)	40.6350	-0.15	000 - 700	40.7000	40.6000	40.995	-8.9	41.735	-10.8	44.985	-10.7	-

† SDR rate per $ for Sep 4. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 4: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.

The exchange rates printed in this table are also available on the Internet at http://www.FT.com.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 7		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.25	4.847	[illegible]	4788	5.472	21.54	496.2	411.5	22.28	3.965	1.684	4.273	2.810	370.0	2.464
Denmark	(DKr)	54.23	10	8.812	2.628	1.048	2596	2.967	11.74	269.1	223.1	12.08	2.150	0.913	2.317	1.524	200.6	1.336
France	(FFr)	61.54	11.35	10	2.983	1.189	2947	3.367	13.32	305.4	253.2	13.71	2.440	1.036	2.629	1.729	227.7	1.516
Germany	(DM)	20.63	3.805	3.352	1	0.399	987.8	1.129	4.465	102.4	84.90	4.596	0.818	0.347	0.881	0.580	76.34	0.508
Ireland	(I£)	51.74	9.542	8.408	2.508	1	2477	2.831	11.20	256.8	212.9	11.53	2.051	0.871	2.211	1.454	191.4	1.275
Italy	(L)	2.089	0.385	0.339	0.101	0.040	100	0.114	0.452	10.36	8.594	0.465	0.083	0.035	0.089	0.059	7.726	0.051
Netherlands	(Fl)	18.28	3.370	2.970	0.886	0.353	875.1	1	3.955	90.69	75.21	4.072	0.725	0.308	0.781	0.514	67.63	0.450
Norway	(NKr)	46.21	8.521	7.508	2.240	0.893	2212	2.528	10	229.3	190.1	10.29	1.832	0.778	1.974	1.298	171.0	1.138
Portugal	(Es)	20.15	3.716	3.275	0.977	0.389	964.9	1.103	4.361	100	82.93	4.490	0.799	0.339	0.861	0.566	74.57	0.497
Spain	(Pta)	24.30	4.482	3.949	1.178	0.470	1164	1.330	5.259	120.6	100	5.414	0.963	0.409	1.038	0.683	89.92	0.599
Sweden	(SKr)	44.88	8.276	7.294	2.176	0.868	2149	2.456	9.714	222.7	184.7	10	1.780	0.756	1.918	1.261	166.1	1.106
Switzerland	(SFr)	25.22	4.652	4.099	1.223	0.488	1206	1.380	5.459	125.2	103.8	5.619	1	0.425	1.078	0.709	[illegible]	0.621
UK	(£)	[illegible]	10.95	9.652	2.879	1.148	2844	3.250	12.86	294.8	244.4	13.23	[illegible]	1	2.538	1.669	219.8	1.463
Canada	(C$)	23.41	4.316	[illegible]	1.135	0.452	1121	1.281	5.065	116.1	96.31	5.214	0.928	0.394	1	0.658	86.60	0.577
USA	($)	35.59	6.563	5.783	1.725	0.688	1704	1.947	7.702	176.6	146.4	7.929	1.411	0.599	1.521	1	131.7	0.877
Japan	(Y)	27.03	4.984	4.392	1.310	0.522	1294	1.479	5.849	134.1	111.2	6.021	1.071	0.455	1.155	0.759	100	0.666
Ecu	-	40.58	7.486	6.596	1.967	0.784	1943	2.221	8.784	201.4	167.0	9.042	1.609	0.683	1.734	1.141	150.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.5786	0.5780	-0.0002	0.5801	0.5739	66,062	107,053
Dec	0.5832	0.5810	[illegible]	0.5832	0.5760	20,326	35,261
Mar	-	0.5835	-0.0002	-	0.5816	5	84

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.7060	0.7039	-0.0014	0.7074	0.6979	42,014	73,722
Dec	0.7129	0.7109	-0.0014	0.7138	0.7050	17,718	27,897
Mar	-	0.7174	-0.0014	-	0.7157	7	26

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.7441	0.7486	+0.0053	0.7525	0.7369	56,736	87,398
Dec	0.7599	0.7584	+0.0054	0.7635	0.7460	21,846	24,822
Mar	-	0.7682	+0.0055	[illegible]	0.7594	49	1,934

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	1.6758	1.6716	-0.0018	1.6768	1.6652	19,094	40,542
Dec	1.6652	1.6692	-0.0018	1.6680	1.6576	11,999	25,930
Mar	1.6590	1.6580	-0.0018	1.6590	1.6519	1	12

UK INTEREST RATES

LONDON MONEY RATES

Sep 7	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7½ - 7	7⅝ - 7⅝	7¾ - 7⅝	7⅝ - 7½	7⅜ - 7¼	7¼ - 7⅛
Sterling CDs	-	-	7⅝ - 7½	7⅝ - 7½	7⅜ - 7¼	7⅛ - 7
Treasury Bills	-	-	7½ - 7⅜	7⅜ - 7¼	-	-
Bank Bills	-	-	7½ - 7⅜	7⅜ - 7¼	7⅛ - 7	-
Local authority deps.	7½ - 7	7⅝ - 7½	7⅝ - 7½	7½ - 7⅜	7⅜ - 7¼	7⅛ - 7
Discount Market deps	7½ - 7¼	7½ - 7¼	-	7¼ -	-	-

UK clearing bank base lending rate 7½ per cent from Jun 4, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Sep 4, 7.0984pc. ECGD fixed rate Stlg. Export Finance. Make up day Aug 28, 1998. Agreed rate for period Sep 29, 1998 to Oct 25, 1998, Scheme III 8.90pc. Reference rate for period Aug 1, 1998 to Aug 28, 1998, Schemes IV & V 7.740pc. Finance House Base Rate 8pc from Sep 1, 1998.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.470	92.470	+0.010	92.490	92.460	19463	155957
Dec	92.810	92.815	+0.035	92.850	92.790	31986	181754
Mar	93.140	93.170	+0.070	93.200	93.140	21282	150279
Jun	93.370	93.430	+0.110	93.460	93.360	17239	150721
Sep	93.510	93.580	+0.110	93.610	93.510	8828	114949

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
92250	0.225	0.590	0.955	0.005	0.025	0.035
92375	0.120			0.025		
92500	0.050	0.380	0.730	0.080	0.065	[illegible]
92625	0.020			0.175		
92750	0.010	0.215	0.530	0.290	0.150	0.110
92875	0.005			0.410		

Est. vol. total, Calls 16797 Puts 8858. Previous day's open int., Calls [illegible] Puts [illegible]

EMS EUROPEAN CURRENCY UNIT RATES

Sep 7	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	357.000	338.146	-1.435	-5.28	5.07	35
Ireland	0.796244	0.783689	-0.000793	-1.58	1.09	10
Italy	1957.61	1940.52	-2.28	-0.87	0.49	8
Spain	168.220	166.342	-0.289	-0.82	0.34	8
Denmark	7.54257	7.48581	-0.00819	-0.75	0.28	5
France	6.63186	6.56760	-0.00894	-0.66	0.19	6
Portugal	202.692	201.388	-0.258	-0.65	0.17	4
Germany	1.97738	1.96483	-0.00262	-0.63	0.16	6
Belgium	40.7844	40.5293	-0.0825	-0.63	0.15	5
Austria	13.9119	13.8253	-0.0187	-0.62	0.14	5
Finland	6.01125	5.97801	-0.00695	-0.55	0.07	4
Netherlands	2.22799	2.21731	-0.00281	-0.48	0.00	4
NON ERM MEMBERS						
UK	0.653644	0.684287	+0.006081	4.69	-4.94	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. 16/3/98: Drachma joined ERM & Punt revalued by 3%. Other central rates adjusted. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
[illegible]	1.64	2.46	2.38	0.30	1.42	2.60
1.670	0.96	1.90	1.84	0.63	1.81	3.18
[illegible]	0.46	1.45	1.47	1.17	2.43	-

Previous day's vol., Calls 31 Puts 95. Prev. day's open int., Calls 1,091 Puts 10,202

■ PHILADELPHIA SE D-MARKS OPTIONS DM62,500 (cents per DM)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
0.570	0.85	1.09	1.29	0.16	0.77	0.89
0.575	0.56	0.83	1.03	0.32	1.02	1.13
0.580	0.32	0.63	0.81	0.56	1.32	1.42

Previous day's vol., Calls 343 Puts 87. Prev. day's open int., Calls 3,985 Puts 15,328

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.45	94.46	+0.02	94.47	94.42	54,013	382,021
Dec	94.63	94.64	+0.02	94.64	94.56	78,590	437,151
Mar	94.81	94.81	+0.01	94.82	94.75	111,178	448,832

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.20	95.23	+0.02	95.23	95.20	387	3,538
Dec	95.61	95.54	+0.02	95.64	95.40	135	817
Mar	-	95.63	-	-	95.60	10	53

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
96625	0.005				0.130			
96750	0	0.005	0.020	0.015	0.250	0.300	0.305	0.370
96875	0				0.375			
97000	0	0	0	0.005	0.500	0.505	0.505	0.610

Est. vol. total, Calls 6625 Puts 3000. Previous day's open int., Calls 429604 Puts 353566

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
98500	0.010	0.070	0.110	0.140	0.290	0.340
98625	0			0.255		

Est. vol. total, Calls 100 Puts 0. Previous day's open int., Calls 25227 Puts [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	7.50	Exeter Trust Limited	8.50	●Smith & Williamson	7.50
Allied Irish Bank (GB)	7.50	Financial & Gen Bank	8.00	Sun Bank	7.50
●Henry Ansbacher	7.50	●Robert Fleming & Co	7.50	TSB	7.50
Banco Bilbao Vizcaya	7.50	Habib Bank AG Zurich	7.50	United Bank of Kuwait	7.50
Bank of Cyprus	7.50	●Hambros Bank	7.50	Unity Trust Bank Plc	7.50
Bank of Ireland	7.50	Heritable & Gen Inv Bk	7.50	Whiteaway Laidlaw	7.50
Bank of India	7.50	C. Hoare & Co	7.50	Yorkshire Bank	7.50
Bank of Scotland	7.50	Hongkong & Shanghai	7.50		
Barclays Bank	7.50	Investec Bank (UK) Ltd	7.50	● Members of London Investment Banking Association	
Brit Bk of Mid East	7.50	Julian Hodge Bank	7.50		
●Brown Shipley & Co Ltd	7.50	●Leopold Joseph & Sons	7.50		
Citibank NA	7.50	Lloyds Bank	7.50		
Clydesdale Bank	7.50	Midland Bank	7.50		
The Co-operative Bank	7.50	NatWestminster	7.50		
Coutts & Co	7.50	●Rea Brothers	7.50		
Cyprus Popular Bank	7.50	Royal Bk of Scotland	7.50		
Duncan Lawrie	7.50	Scottish Widows Bank	7.50		
		●Singer & Friedlander	7.50		

Malaysian growers turn their backs on rubber

After 100 years of development, plantations are being ploughed over as producers search for better returns, says Sheila McNulty

The rise in rubber prices in the 1890s eventually led to Malaysia covering two-thirds of the peninsula's cultivated land with the crop earlier this century and it soon became one of the nation's most significant exports.

One hundred years later, a reversal is taking place. As rubber prices drop and other crops, particularly palm oil, generate higher returns – in price as well as yield per acre – rubber plantations are being ploughed over.

Malaysia remains the world's third largest exporter of natural rubber, but the commodity contributes far less to foreign exchange earnings than palm oil.

"Of course, we are laughing now that palm oil is fetching higher prices, but we don't know what is going to happen tomorrow," says Lim Keng Yaik, primary industries minister.

He therefore insists Malaysia will not neglect rubber, but will continue practising "diversified crop plantation" to prevent dependence on any one commodity. However, it will not be easy to convince plantation owners of that policy.

"Palm oil is a more attractive investment," says Ivy Santoso, senior research analyst at GK Goh Research.

This is partially because the US announced last year that it would begin selling off stockpiles of rubber, triggering dumping by Thailand, the world's largest exporter, as the regional financial crisis heightened its need for US dollar earnings, Ms Santoso says.

"That became the catalyst for a bad trend," she says. World rubber prices have dropped 30 per cent.

The Malaysian currency, the ringgit, has lost about 40 per cent of its value against the US dollar since the crisis began.

Although plantation companies earn dollars for their rubber and, therefore, offset some of their losses when converting earnings back into the Malaysian currency, they are unable to capitalise on the regional financial crisis as fully as they might have hoped.

Malaysia says natural rubber and rubber product export earnings rose 34.7 per cent to M$4.33bn (US$1.14bn) in the first half of this year compared with the same period of 1997.

However, Mr Lim said palm oil earned the most revenue among exports of primary and primary-based commodity products. The value of palm oil exports increased 68.3 per cent to M$8.62bn – excluding exports of palm oil products, which amounted to M$1.2bn, up 56.2 per cent.

Malaysia is so upset by the failure to capitalise fully on rubber exports, especially amid the crisis, that it is pulling out of the International Natural Rubber Organisation (Inro) to focus on strengthening market intervention techniques through a producers-only organisation.

"When I go back to my country, I will hurry up to get out [of Inro]," Mr Lim said in August in Thailand, where Malaysia and Thailand announced their intention to withdraw.

The organisation groups six leading producing nations and the 16 top consuming countries. However, Malaysia and Thailand say that Inro has neglected its mandate to support prices at a high enough level since the plunge in world rubber prices.

Rubber now contributes far less foreign exchange than palm oil

Philippe Fournier, SG Bank's managing director of commodities and trade financing for Asia, says the devaluation in regional currencies has partly justified the drop in rubber prices.

Mr Fournier explains that labour is the main cost of producers and that, in terms of the US dollars earned by producers, has dropped in line with the value of the currencies.

In fact, he believes the financial prospects of producers remain so good, despite this cyclical downturn, that SG is studying the possibility of widening its business to include trade financing to rubber producers.

Before the regional financial crisis, rubber producers had no trouble raising funds locally but the crisis has made local banks hesitant about providing credit across the board as bad loans mount amid the steep contraction in the economy.

SG is cautious. "It's still a very risky environment," Mr Fournier says. "There's no need to rush into financing without having done proper due diligence."

After all, these opportunities will be there for the next three to four or even five years, he notes. That is if Mr Lim can convince plantations not to replace their rubber trees with palms.

Producers meet to discuss new system

By Paul Solman

Rubber producing countries are meeting in Kuala Lumpur this week to discuss a new system to support world rubber prices, which have fallen 30 per cent in dollar terms in the past year.

The talks, organised by the Association of Natural Rubber Producing Countries, follow signs that producers have lost confidence in the International Natural Rubber Organisation.

Inro, which groups the world's largest natural rubber producers, exporters and consumers, is intended to help the industry by supporting prices. However, Thailand and Malaysia, two of the largest producers, said last month they would withdraw from Inro because it had failed to act swiftly and effectively enough.

The ANRPC, whose members account for 80 per cent of world production, proposes replacing Inro with a new international agreement. The three-point plan includes a withholding scheme to limit output, a marketing system to keep supply below demand, and a private sector-led consortium to stockpile rubber during periods of oversupply.

The association – which as well as Thailand and Malaysia includes Indonesia, Singapore, Sri Lanka, India, Papua New Guinea and Vietnam – is discussing the fine details of the plan this week.

The Asian crisis has cut demand for rubber, which is mainly used by the automotive industry for making tyres, and prices have fallen due to oversupply.

Yesterday, Inro called for M$150m (US$39.5m) from members to fund a fresh round of buying to support prices. However, traders said the market was sceptical that the organisation would be able to secure the funds.

There were also signs that buyers were turning away from Malaysia because of foreign exchange controls imposed last week. Traders said the buyers were looking for cheaper rubber from Indonesia and Thailand.

Aluminium shrugs off remarks on Asia

MARKETS REPORT

By Kenneth Gooding and Paul Solman

Trading on the London Metal Exchange was lacklustre because of the US Labor Day holiday and aluminium failed to react to gloomy remarks about the impact of Asian economic turmoil.

Australia's Eastern Aluminium, reporting half-year figures, said demand for the metal was forecast to fall by 2 per cent in Japan and by up to 10 per cent in other Asian countries.

Jean-Pierre Ergas, vice-president for Alcan in Europe, told a Metal Bulletin conference there was a danger aluminium prices might suffer from some of the large stocks in Asia being shipped to Europe and the US, where demand remained healthy.

Martin Squires, analyst at Rudolf Wolff, said at the same conference aluminium's price might fall to $1,300 a tonne (from $1,413 at the LME close last night) but be susceptible to spikes.

At another MB conference, Jim Lennon, analyst at Macquarie Bank, suggested the nickel market could be closer to balance than appreciated. Nevertheless, he looked for a supply surplus of 21,000 tonnes this year and of 23,000 tonnes in 1999.

World oil prices fell in relatively quiet trading. On London's International Petroleum Exchange, the benchmark October contract for Brent crude was $13.06 a barrel in late trading, compared with Friday's close of $13.31.

LUKoil, Russia's biggest oil producer, said it planned to lift crude exports in the second half of this year because of the fall in the rouble. The company exported about 490,000 barrels a day in the first half, 45 per cent higher than in the same period of 1997.

Tea prices hit by crisis in Russia

By Kunal Bose in Calcutta

Tea prices are being hit by Russia's economic crisis. Russia is one of the world's largest tea-drinking countries and has ceased to be active at the large auction centres.

"Last year Russia accounted for nearly 90m kg of Indian tea exports of 203m kg," said P.K. Sen, chairman of J. Thomas, the world's largest tea broking company. "For Sri Lanka, which exports almost all the tea it produces, Russia is the biggest market."

Russia buys only orthodox tea from Sri Lanka, but takes a mix of orthodox tea and plainer varieties of crush, tear and curl (CTC) teas from India. It also buys in tea from China, Indonesia and Vietnam, and the UK and Poland re-export a substantial amount of tea to Russia.

Indian trade officials said there was still some Russian buying backed by letters of credit opened before the crisis began. However, the volume of buying was not enough to stop the fall in the prices of Russian types of teas produced in the north Indian centres of Cachar and Dooars and in southern India.

An official at Forbes & Walker, a Colombo-based broking firm, said: "The absence of Russia and other CIS countries was the main contributory factor for the drop in prices for a wide spectrum of teas. The Russian uncertainty is causing deep concern to Sri Lankan tea exporters."

Carritt Moran, an Indian broking firm, said the prices of Cachar origin CTC fannings and dust fell by Rs8 a kg from last year's level to Rs52 a kg at last week's Guwahati auction.

At the Coonoor auction, where south Indian teas are sold, the price of plain CTC large broken tea was down Rs8 a kg to Rs56.

Industry officials fear better quality teas will also be affected if market sentiment remains weak.

"In spite of price falls of medium to low varieties of teas, the average prices for the current year will be higher than last year," said Karan Paul, managing director of AFT Industries, one of India's largest tea groups. "I am more worried about next year, when tea prices may come under bear hammering from the beginning."

Industry officials say Russia will soon need to start buying tea to build up stocks for the winter, and because of the acute foreign exchange crisis it will use its special trade arrangement with India to buy tea with rupees. Russia has a special line of credit from previous trading with India.

Sri Lanka, which sold tea to Russia on long-term dollar credit, is not getting payments. Pakistan, a market for nearly 150m kg of tea, is also buying less this year.

"The lower Pakistani offtake will mainly affect Kenya, which is heading for a record crop. But this will also mean so much more tea in the pipeline and the fallout will be lower tea prices," said Mr. Sen. India and Sri Lanka are also harvesting a much bigger crop this season.

The crop in India, the world's largest producer of tea, was 41.8m kg ahead at 417.5m kg in the seven months to July. Kenyan production was up 66.35m kg to 178.23m kg. Sri Lanka made a marginal gain of 2.4m kg to 158.7m kg. Production in Bangladesh was up 2.8m kg to 24.5m kg.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1389.5-90.5	1410-11
Previous	1393-94	1412-13
High/low		n/a
AM Official	1395-95.5	1416-16.5
Kerb close		n/a
Open int.	298,129	
Total daily turnover	36,882	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	[illegible]	1208-10
Previous	[illegible]	1210-14
High/low		n/a
AM Official	1185-90	1210-11
Kerb close		n/a
Open int.	8,322	
Total daily turnover	1,172	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	531.5-33.5	5342-44
Previous	529.5-30.5	539.5-40
High/low		n/a
AM Official	529-29.5	539-9.5
Kerb close		n/a
Open int.	35,243	
Total daily turnover	8,379	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4265-75	4325-35
Previous	4280-90	4340-45
High/low		n/a
AM Official	4265-75	4315-25
Kerb close		n/a
Open int.	60,298	
Total daily turnover	17,753	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5510-20	5370-75
Previous	5480-90	5345-50
High/low		n/a
AM Official	5490-500	5360-65
Kerb close		n/a
Open int.	14,865	
Total daily turnover	2,074	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1025-26	[illegible]
Previous	1027.5-28.5	1049-50
High/low		n/a
AM Official	1026-26.5	1049-49.5
Kerb close		n/a

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	71.25	+0.80	-	-	-	154
Nov	72.80	+0.80	73.00	72.80	[illegible]	2,916
Jan	74.80	+0.80	75.00	74.80	27	2,224
Mar	75.90	+0.30	76.40	76.35	[illegible]	1,271
May	77.90	+0.20	78.40	77.90	[illegible]	1,074
Total					175	7,716

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	248.00	+1.75	250.50	246.00	4,325	3,935
Dec	261.75	+2.25	266.50	259.50	13,187	77,263
Mar	277.50	+1.75	282.00	275.75	1,963	24,080
May	287.25	+3.25	290.00	287.00	241	4,477
Jul	297.50	+3	301.00	298.50	465	11,100
Sep	305.00	+2.5	307.00	304.00	139	310
Total					20,305	121,423

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	195.50	-	197.75	194.25	5,583	10,829
Dec	208.00	-	210.25	207.00	44,080	177,989
Mar	220.50	+0.5	222.50	219.00	5,407	58,351
May	227.75	+0.75	229.75	227.00	1,834	20,940
Jul	233.50	+0.25	235.25	232.25	2,408	29,082
Sep	238.50	+0.25	242.00	239.50	221	4,763
Total					[illegible]	[illegible]

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	70.00	+1.00	[illegible]	69.50	7	6
Nov	71.25	+1.25	71.00	71.00	11	[illegible]
Jan	73.25	+1.10	73.25	73.00	20	411
Mar	75.15	+1.00	-	-	-	[illegible]
May	76.15	+1.00	-	-	-	23
Total					29	[illegible]

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1030	-6	1036	1031	28	121
Dec	[illegible]	-5	1075	[illegible]	[illegible]	65,186
Mar	1092	-5	1100	1093	108	41,227
May	1110	-5	1115	1110	32	14,822
Jul	1127	-5	1136	1130	215	9,123
Sep	1144	-5	1152	1147	109	27,083
Total					[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	[illegible]	-5	1570	1560	[illegible]	1,000
Dec	1602	-	1610	[illegible]	[illegible]	[illegible]
Mar	1640	-	1650	1640	[illegible]	17,975
May	1670	-	1673	1673	[illegible]	[illegible]
Jul	1695	-	1706	1706	[illegible]	[illegible]
Sep	1722	-	-	-	-	1,881
Total					[illegible]	71,804

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Sep 4		
Daily	1277.37	1276.63

■ COFFEE LIFFE ($ tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1695	+4	1694	1675	[illegible]	3,249
Nov	1665	+8	1673	1660	2,285	17,173
Jan	1613	+11	1615	1596	[illegible]	4,572
Mar	1583	+13	1587	1567	30	2,501
May	1568	+13	1570	1560	37	461
Jul	1583	+13	1565	1565	39	143
Total					[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	118.90	-0.65	119.75	119.00	137	1,037

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	58.125	+0.225	58.525	57.925	10,886	30,620
Dec	60.500	+0.125	60.900	60.350	6,146	28,813
Feb	61.525	-0.075	61.900	61.300	2,224	13,448

LONDON TRADED OPTIONS

LONDON SPOT MARKETS

PRECIOUS METALS

ENERGY

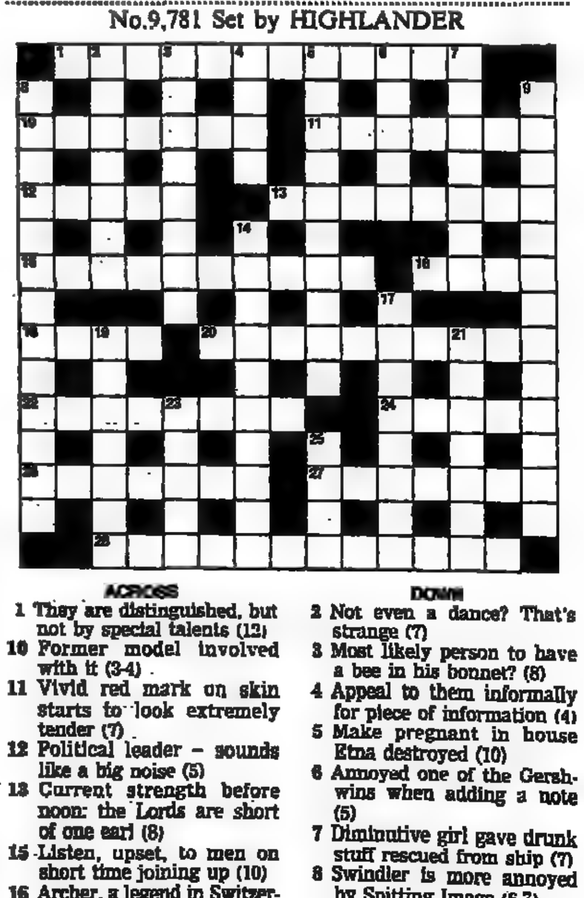
PULP AND PAPER

INDICES

JOTTER PAD

CROSSWORD

No.9,781 Set by HIGHLANDER



ACROSS

1 They are distinguished, but not by special talents (12)
10 Former model involved with it (3-4)
11 Vivid red mark on skin starts to look extremely tender (7)
12 Political leader – sounds like a big noise (5)
13 Current strength before noon: the Lords are short of one earl (8)
15 Listen, upset, to men on short time joining up (10)
16 Archer, a legend in Switzerland, demands recount (4)
18 Acting without due consideration when in Republic of Haiti (4)
20 Subject calling for additional skills? (10)
22 Spoil the team coming first with extra portion of food (4,4)
24 Norma works in Europe raising money (5)
26 He makes one cross when choosing a representative (7)
27 Visual aid for motorist acts differently, I heard (4-3)
28 Check one store out for sex hormone (12)

DOWN

2 Not even a dance? That's strange (7)
3 Most likely person to have a bee in his bonnet? (8)
4 Appeal to them informally for piece of information (4)
5 Make pregnant in house Etna destroyed (10)
6 Annoyed one of the Gershwins when adding a note (5)
7 Diminutive girl gave drunk stuff rescued from ship (7)
8 Swindler is more annoyed by Spitting Image (6-7)
9 Tower over follower's racehorse (13)
14 Theatrical director needs to make an impact mostly on a Brazilian centre (10)
17 I'm following gold fraud (8)
19 Most dejected is Tessa, originally holder of a religious doctorate (7)
21 Neither disturbed the control in that place (7)
23 Fruit shows its age (5)
25 A Celtic supporter in this cottage industry? (4)

Solution to Saturday's prize puzzle on Saturday September 19.
Solution to yesterday's prize puzzle on Monday September 21.

هكذا من الاصل

Tea prices hit by crisis in Russia

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Prices for dealing September 07

Jupiter Asset Management (Bermuda) Ltd
PO Box HM1256, Hamilton, Bermuda

Newport Investment Management

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 245, St Peter Port, Guernsey 01481 725021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 718051

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Bank Von Ernst & Cie AG

GT Global

HSBC Investment Funds Luxembourg SA (u)

Mercury Asset Management - Contd.

Morgan Stanley Sicav

ACM Offshore Funds - Contd.

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management - Contd.

UBS AG - Contd.

Friends Provident International

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

OFFSHORE INSURANCES

Aberdeen International Ltd

هكذا من الاصل

هكذا من الأصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Royal & Sun Alliance Intl Financial Srvs

Royal Court, Athory Rd, Castletown IoM 01624 821212

Royal Skandia Life Assurance Ltd (z)

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

هكذا من الاصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

	Notes	Price	+ or –	52 week high	52 week low	Yld Gr's	NAV	Dis or Pm(-)
Approved by the Inland Revenue								
Aberdeen Emg Asia	♣	18	+1¼	*61½	15	–	22.1	18.8
Warrants		0½	–	5	0½	–	–	–
Atlantis Japan Gwth Fd.		209¼	+9	393¼	169½	–	257.5	18.7
Warrants		7½	+1⅛	41	4½	–	–	–
Baring Emg Euro	♣	62¼	+¼	126	59¼	–	87.6	29.0
Warrants		34¼	+1	67½	30¼	–	–	–
Brazilian IT	♣	27¼	–	69¼	5	2.9	36.1	24.5
Warrants		11¼	–	41¼	10¼	–	–	–
Central Euro Gwth	♣	34	+¼	77	33¼	–	45.8	25.8
Warrants		1¼	–	18¼	0¼	–	–	–
East German		8	–	17	8	–	22.7	64.8
Egypt Trust $		[illegible]	[illegible]	1159	583¼	1.4	–	–
[illegible]		[illegible]	+12½	1590	285	–	530.6	33.6
Warrants		77½	+17½	1230	35	–	–	–
Warrants B		70	+25	1095	40	–	–	–
Five Arrows Chile $	♣	78¼	–1	202¼	77½	2.3	110.8	28.9
Warrants		1	–	22¼	0½	–	–	–
Govett Asian Smllr	♣	37½	+3	178	31	1.6	78.5	48.0
Warrants		8¼	–	35	0¼	–	–	–
[illegible] Asia Co	♣	17¼	+2	99½	15½	1.2	30.5	41.8
Warrants		1¼	–	17½	1½	–	–	–
Indonesia Fund		127¼	+¼	549¼	120	–	–	–
Warrants		7¼	–	94	3¼	–	–	–
Israel Fund $		59¼	+1½	93¼	45¼	–	58.3	13.2
Warrants $		11	+1¼	18	8¼	–	–	–
Korea–Europe $	♣	103¼	+4	287½	89	1.2	132.3	21.9
Korea Liberal $		110¼	+¼	230	59¼	–	92.1	-20.3
Warrants		12¼	–	39¼	5	–	–	–
Latin American $	♣	53¼	+1	178¼	46¼	–	78.5	30.3
Warrants		21½	+1	103¼	18½	–	–	–
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AIM

AIM - Continued

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official List.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or –	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Anglo Am Ind R		[illegible]	+1¼	[illegible]	[illegible]	–	7.2	6.1
Barlow R	♣	[illegible]	[illegible]	[illegible]	[illegible]	–	6.4	7.2
Investec Group		[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
Investec Hldgs		[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
SA Breweries R		[illegible]	[illegible]	[illegible]	[illegible]	–	3.8	13.8
Standard Bank R		[illegible]	[illegible]	[illegible]	[illegible]	–	1.5	21.5
Tiger Oats	†	[illegible]	[illegible]	[illegible]	375	–	3.4	10.8
Tongaat-Hulett R		468¼	–13¼	772¼	405½	–	3.4	11.4

TRADED INDEX SECURITIES

	Notes	Price	+ or –	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRAINS		£57[illegible]	–	£61200	£472	–	–	–

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⚲ Figures or report awaited
- ♥ Rule 21(4)(e) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield: p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. D Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1998-99. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1997. K Yield based on prospectus or other official estimates for 1998. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. R Dividend is paid in whole or part as a FID (Foreign Income Dividend). R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: , ex dividend; , ex scrip issue; , ex rights; , ex all; , ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1485 a year for each security shown, subject to the Editor's discretion.

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You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the internet at http://www.icbinc.com. All reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Please note that FT Company Focus/Focus Plus reports ceased to be available as from May 4th 1998. However ShareFinder company reports, incorporating current and historic financial information, key performance data and concensus recommendations, may still be purchased by calling 0870 601 4600.

FT Cityline

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An International service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

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The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Greenspan speech and bid news boost equities

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Comments by Alan Greenspan, chairman of the US Federal Reserve, and a man who has frequently proved able to move markets, helped engineer a powerful global rally yesterday.

London was in the forefront of the recovery, with stock prices racing ahead across the board, driven not only by the better outlook for interest rates but also by another burst of takeover news.

The bid stories included an approach for Manchester United, one of the world's most famous football clubs, merger activity in the food retailing arena and hints of a merger involving Vodafone, the biggest of the UK cellular phone companies.

Such was the momentum behind the equity market that the FTSE 100 posted its second biggest ever points gain in a single session, finishing 180.0 higher at 5,347.0.

Its previous biggest points rise was the 181.0 gain recorded in the middle of last month, when Footsie was driven higher by a benign inflation report and the bid for London & Manchester, which triggered hopes, subsequently proved correct, of more takeovers in the insurance sector.

The share price gains were widespread, with the FTSE 250 index posting an 83.8 advance at 4,747.1, up 1.8 per cent, with the help of the Manchester United news. The FTSE SmallCap, meanwhile, pushed up 15.7 to 2,084.7.

Mr Greenspan's comments on the impact of the recent global economic and political turbulence on the US economic outlook were interpreted by many observers as increasing the chances of a loosening of US monetary policy in the short term.

In a speech delivered at the University of California last Friday, Mr Greenspan warned that the problems affecting Russia and elsewhere could quickly spread to Latin America, thus directly affecting the US economy.

The next meeting of the Federal Reserve's open market committee, which determines US interest rate policy, is scheduled for September 29.

Meanwhile, hints that a reduction in UK interest rates might now be a lot closer saw sterling under sustained pressure, easing the burden on the beleaguered engineering/export stocks which have had to endure severe pain over recent months.

The Bank of England's monetary policy committee meets tomorrow to determine UK interest rate policy, with its decision due to be made known at midday on Thursday.

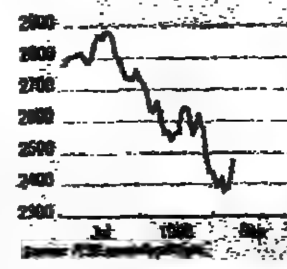
UK fund managers view the recent slide in stock prices as having created value in the UK equity market, according to the latest Merrill Lynch/Gallup Survey of fund managers.

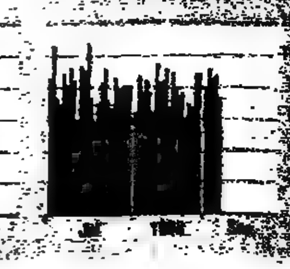
The survey reveals that most managers see the market as undervalued for the first time since this question was first put in February. Buyers outnumber sellers by 13 percentage points.

The survey also reveals, however, that profit expectations continue to slide, with the average forecast for earnings per share to grow by around 4.5 per cent, down from last month's 5 per cent.

Turnover in equities yesterday was a lowly 735m shares.

FTSE All-Share Index





Indices and ratios

FTSE 100	5347.0	+180.0	FT 30	3380.5	[illegible]
FTSE 250	4747.1	+83.8	FTSE Non-Fins p/e	20.96	20.41
FTSE 350	2549.9	+78.7	FTSE 100 Fut Sep	5358.0	+183.0
FTSE All-Share	2470.19	+73.25	10 yr Gilt yield	5.41	5.42
FTSE All-Share yield	3.22	3.32	Long gilt/equity yld ratio	1.68	1.68

Best performing sectors

1. Electronic & Elect Equip +7.3
2. Banks, Retail +5.5
3. Telecommunications +5.3
4. Alcoholic Beverages +4.4
5. Pharmaceuticals +4.1

Worst performing sectors

1. Household Goods & Texts -2.1
2. Retailers, General -0.3
3. Water +0.1
4. Transport +0.5
5. Tobacco +0.7

Merger talk lifts Vodafone

COMPANIES REPORT

By Joel Kibazo and Martin Brice

Vodafone's refusal to comment on renewed speculation that it was considering a merger with US cellular group Airtouch only served to whet the appetite of investors and sent the shares sharply ahead.

Talk of a union between the two groups came as the UK's largest mobile phone company hosted a visit for 30 analysts to its European partners in Germany, Sweden, Holland and France.

Talk of a link-up dates back to 1994 and analysts yesterday signalled their support for a merger that would create a £40bn company with significant operations throughout Europe. "A merger between these two companies would make a good strategic fit," said one telecoms specialist.

While a handful of sceptical specialists ruled out a full merger, there were those who raised the prospect of the companies simply merging European operations.

The shares jumped 69 or 9.4 per cent to 806p in trade of 8.5m, with positive reports from analysts on the European tour said to have enhanced sentiment.

A recent note to investors from the telecoms team at Paribas said: "We believe that the current share price significantly undervalues Vodafone's international businesses and in no way reflects the very real possibility that a merger with Airtouch may be on the horizon and the subsequent value this would generate."

The positive sentiment in Vodafone spread to the rest of the sector. Shares in rival Orange gained 28 to 601½p while those of Securicor, 40 per cent owner of mobile operator Cellnet, rose 27 to 474p on talk it may be one of the new entries to the FTSE 100 announced tomorrow. British Telecommunications, which owns the rest of Cellnet, was also in demand, the shares hardening 21 to 795p in trade of 9m.

The latest bid in the chemicals industry focused attention firmly on the sector and prompted a frantic search for the next takeover candidate. The surprise 375p-a-share bid from British Vita for Doeflex was the sixth in the sector since January.

Analysts said the heavy merger and acquisitions activity in the underperforming sector was prompted by a drive to unlock shareholder value. Chemicals companies had suffered under the strength of sterling while increased competition from Asian rivals combined with a slowdown in that region.

Analysts suggested that a low point may have been reached with the series of downgrades for ICI in July.

Martin Evans at Sutherlands said: "These moves may mark the nadir in the current cycle for this sepulchral sector."

Many previous bids had involved either overseas trade buyers or venture capital groups but yesterday's move was notable for involving the merging of two London-listed companies. Other takeovers in the sector so far this year involved Allied Colloids, Courtaulds, Manders, Brunner Mond and Inspec.

As the search began to pick winners from the continuing consolidation in the sector, unusually heavy turnover centred on two chemicals companies due to report results this week. Albright & Wilson saw 1.2m shares traded while Yorkshire saw a brisk 400,000 dealt. Albright was static at 105p while Yorkshire rose 6½ to 146p. ICI rose 35 to 622p.

Doeflex rose 21 to 365½p while British Vita gained 16½ to 230p. Interim results came from both companies yesterday, and those from British Vita prompted upgrades from about £70m to £74m for the full year.

The prospect of a bid battle helped enliven football issues which have underperformed the market this year.

The spotlight was firmly fixed on Manchester United which confirmed it was in takeover talks with satellite broadcaster BSkyB. And there were reports that leisure group Enic was poised to enter the race for the premier league football club.

Top of the league

Manchester United was the best performing stock in the FTSE 350 with the shares rising 47¼ or nearly 30 per cent to 206½p. Enic, which is expected to wait for the satellite broadcaster to reveal its hand later this week, gained 9½ to 128½p while BSkyB moved up 14¾ to 476¾ on volume of 3.3m.

Aston Villa jumped 52½ to 615p, while Leeds Sporting ended 1¼ firmer at 14p. Newcastle United put on 5 to 67½p and Sunderland were 15 better at 495p. Tottenham Hotspur, previously seen as a potential takeover target for Enic, rose 3½ to 64p.

Bank shares, badly affected by the Russian crisis, staged a welcome rally. HSBC jumped 113 to £12.41, aided by the near 8 per cent rally in the Hong Kong stock market. Lloyds TSB was the best performer among the purely domestic banks, its shares attracting strong support, partly because of its minimal exposure to the Russian market but also on the view that the shares have been heavily oversold in the general sell-off.

Chassis maker Dennis increased the premium to the 450p-a-share cash bid from Mayflower as the shares rose 2¼ to 463p. The rival cash-and-paper bid from Henlys was last night worth 468p. Its offer document showed Henlys is deemed to be acting in concert with Volvo of Sweden, although Volvo is said to be relaxed about the possibility of the UK regulator stepping in.

However, some bus companies are said to have made representations to the Office of Fair Trading because victory for Henlys would leave the Volvo-Dennis-Henlys businesses with a dominant share of the market in UK bus manufacturing. Henlys at 454p and Mayflower at 162p were unchanged.

The vulnerability of high street retailers came into focus when Marks & Spencer retreated against the strong market trend after Dewhirst, one of its suppliers, issued a profits warning.

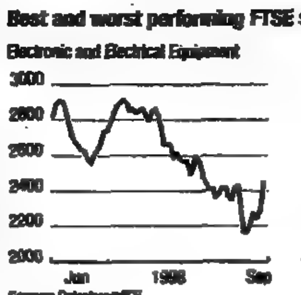
M&S shares, which have performed strongly in recent sessions as investors focused on "defensive" sectors, fell 8¾ to 519½p in trade of 7.8m.

One analyst said: "This has once again highlighted the tough trading environment for retailers on the high street even for companies such as Marks and Spencer which no longer have the defensive qualities they once had."

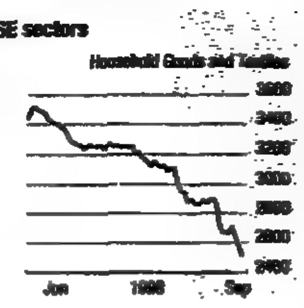
Pharmaceuticals group Chiroscience was up 11½ to 212½p after it signed an agreement for marketing its Chirocaine anaesthetic in Japan.

Best and worst performing FTSE sectors

Electronic and Electrical Equipment



Household Goods and Textiles



Source: Datastream/ICV

FT 30 INDEX

	Sep 7	Sep 4	Sep 3	Sep 2	Sep 1	Yr ago	*High	*Low
FT 30	3380.5	3284.3	3255.7	3343.0	3300.5	3192.8	3884.0	3284.3
Ord. div. yield	3.18	3.27	3.29	3.22	3.26	3.54	4.22	2.72
P/E ratio net	21.09	20.51	20.39	20.84	20.59	20.78	28.41	15.80
P/E ratio nil	21.01	20.42	20.31	20.76	20.50	20.49	28.18	15.71

FT 30 since compilation: high 3923.3 11/05/98, low 49.4 26/06/40. Base Date: 1/7/35

FT 30 hourly changes

8	10	11	12	13	14	15	16	High	Low
3284.3	3350.0	3337.2	3333.3	3320.6	3335.2	3352.4	3371.9	3380.6	3284.3

*For 1998.

STOCK MARKET TRADING DATA

	Sep 7	Sep 4	Sep 3	Sep 2	Sep 1	Yr ago
SEAQ bargains	54,018	50,269	57,705	74,249	80,734	[illegible]
Equity turnover (£m)†	-	2849.5	2729.2	3236.1	3310.1	2198.4
Equity bargains†	-	38,945	42,696	56,638	66,212	38,193
Shares traded (m)†	-	782.7	[illegible]	805.7	737.0	655.1
Total market bargains‡	-	51,278	59,063	75,717	76,872	-
Total turnover (£m)‡	-	3922.0	4020.2	4680.2	4718.4	-
Total shrs traded (m)‡	*738.3	1009.3	963.7	1093.7	995.2	-
Tradepoint turnover (£m)	24.4	25.6	31.9	29.5	54.6	1.5
Tradepoint shrs traded(m)	6.0	10.0	7.3	9.6	12.5	0.2

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	1,376	Total Highs	42	Total contracts	27,321
Total Falls	346	Total Lows	132	Calls	18,001
Same	1,316			Puts	9,320

Sep 7 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	5280.0	5358.0	[illegible]	5380.0	5265.0	23801	160858
Dec	5380.0	5431.0	+184.0	5450.0	5358.0	3604	37777
Mar	5420.0	5480.0	+184.0	5420.0	5420.0	250	1061

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		4742.0	+87.0			0	1399
Dec		4797.0	+87.0			0	5686

FTSE 100 INDEX OPTION (LIFFE) (*5345) £10 per full index point

	5150 C	5150 P	5200 C	5200 P	5250 C	5250 P	5300 C	5300 P	5350 C	5350 P	5400 C	5400 P	5450 C	5450 P	5500 C	5500 P
Sep	209	36	232	73	185½	97	183	105	134	129½	107½	143½	84	176	63	208½
Oct	308	165	301	179	321	199	281	219	260	239½	230½	259	209½	276	178	306
Nov	478	230	408	250½	430½	270	380½	290	361	309½	339½	325	300½	348	282½	370½
Dec	562½	289	534	288½	505½	310½	478½	331	447½	352	418½	373	390½	394	380	417
Jun†			600½	511			746½	553			682	596½			592½	640

Calls 184 Puts 1,014

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	5175 C	5175 P	5225 C	5225 P	5275 C	5275 P	5325 C	5325 P	5375 C	5375 P	5425 C	5425 P	5475 C	5475 P	5525 C	5525 P
Sep	244	61½	207½	73	174½	91½	144	111	118½	133½	96	157	72	186	64	232½
Oct	360	167½	334½	182½	301	199	271½	219	241½	238½	213½	260	187	283	162	306
Nov	469	245	435½	261½	403	278	371½	295	341½	315	313	335	286	356	260½	379½
Dec			509	307½			447	343			387	381			336	418
Mar†			593	406			599½	450½			543½	490½			493½	536½

Calls 10,673 Puts 4,076 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	0.36	12½	8	Chaucer A Wts	12½		-	-	-	-
100	F.P.	1,765	192½	145	Coca-Cola Bev	165½	+7½	-	-	-	-
-	F.P.	-	58	55½	Enterprise Cap & Pf	55½		-	-	-	-
§114	F.P.	19.1	117½	84½	†Firestone D'mond	84½		-	-	-	-
§	F.P.	-	169½	167	GMGT Secs Zero	167½		-	-	-	-
-	F.P.	-	143½	93½	GEC Pat Wts	93½		-	-	-	-
-	F.P.	-	68	48	Gartmore Br Inc	48½		-	-	-	-
-	F.P.	-	89½	82	Do Inc	87½		-	-	-	-
-	F.P.	-	[illegible]	83	Do Hope Inc	86	+1	-	-	-	-
-	F.P.	4.66	118½	97½	Hope Line Fopds	99½		2.9	3.5	2.5	14.3
§135	F.P.	119.8	129½	122½	Kiln	127½		W-	-	-	14.6
-	F.P.	405.1	98	94	MEPC Non Cum Pf B	96½		-	-	-	-
-	F.P.	14.3	112½	105½	†Meteor	112½		a2.6	-	4.0	-
§	F.P.	6.11	18	15	Murray Extra Ret Cap	17½	+½	-	-	-	-
§100	F.P.	29.4	109	99	Do Inc	107½		§7.95	-	9.2	-
§	F.P.	23.7	100	99	Do Zero Div Pf	99½		-	-	-	-
§32	F.P.	4.02	32½	28½	†Parallel Pictures	28½		-	-	-	-
§65	F.P.	0.79	65½	62½	†Private & Comm Fin	64		N0.6	-	1.2	33
*	F.P.	15.2	65½	37½	†Sodra Petroleum	37½		-	-	-	-
*	F.P.	4.98	120½	90½	†SopaRule	97½		-	-	-	-
-	F.P.	-	34	21½	Syndicate Cap wts 98/02	22½		-	-	-	-
-	F.P.	187.7	284	157½	Torquill	163½	+7	-	-	-	-
§	F.P.	152.2	516	504½	Tribune IT Index	516	+10	-	-	-	-
-	F.P.	-	33½	32½	Walker Greenbank B	33		-	-	-	-
§2	F.P.	2.46	3½	2½	†Wilmslow	2½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Sep 4	% chg on day	Sep 3	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (27)	898.38	+10.6	813.22	1390.80	2.18	-	1538.46	701.68
Regional Indices								
Africa (9)	881.94	+10.6	801.04	1372.13	5.06	37.67	1525.89	708.63
Australasia (7)	920.53	+6.5	864.44	1541.94	3.42	6.42	1609.85	815.92
Americas (11)	881.85	+11.2	793.12	1403.12	0.77	51.83	1574.16	647.80

Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Sep 7	Day's chge%	Sep 4	Sep 3	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5347.0	+3.5	5167.0	5118.7	4985.2	3.12	2.64	1.96	20.45	112.68	2354.83
FTSE 250	4747.1	+1.8	4663.3	4646.8	4686.1	3.45	2.93	2.03	17.81	98.18	2046.56
FTSE 250 ex Inv Tr	4801.5	+1.7	4715.4	4705.7	4698.8	3.55	3.01	2.10	18.77	101.30	2078.07
FTSE 350	2549.9	+3.2	2471.2	2450.8	2401.3	3.16	2.69	1.97	19.92	53.52	2293.32
FTSE 350 ex Inv Tr	2557.5	+3.2	2478.2	2457.8	2402.8	3.19	2.71	1.99	19.72	53.92	1179.83
FTSE 350 Higher Yield	2463.0	+2.7	2397.3	2382.7	2310.2	4.31	3.66	1.90	15.23	68.07	1096.18
FTSE 350 Lower Yield	2638.4	+3.5	2548.2	2522.7	2487.1	2.28	1.93	2.08	26.35	42.77	1925.14
FTSE SmallCap	2084.92	+0.8	2069.23	2068.22	2278.26	3.68	3.15	1.95	18.56	41.61	1822.65
FTSE SmallCap ex Inv Tr	2073.31	+0.5	2063.57	2062.27	2252.72	4.14	3.37	2.04	14.81	43.37	1831.32
FTSE All-Share	2470.19	+3.1	2396.94	2378.16	2346.18	3.22	2.72	1.97	19.71	51.68	2254.43
FTSE All-Share ex Inv Tr	2481.33	+3.1	2407.34	2388.19	2347.93	3.25	2.74	1.99	19.43	52.28	1165.17

FTSE Actuaries Industry Sectors

	Sep 7	Day's chge%	Sep 4	Sep 3	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(22)	3947.34	+3.3	3821.58	3606.35	4696.88	3.86	3.39	1.66	19.65	88.50	1822.28
12 Extractive Industries(6)	2470.62	+3.9	2377.47	2268.18	4213.92	5.68	5.19	2.04	10.76	79.47	780.62
15 Oil, Integrated(4)	4560.25	+3.3	4412.73	4151.84	5331.61	3.70	3.10	1.60	21.16	98.59	2166.65
16 Oil Exploration & Prod(12)	1973.97	+1.2	1951.47	1883.20	3817.62	2.74	2.39	1.22	37.41	33.41	1226.94
20 GEN INDUSTRIALS(218)	1705.62	[illegible]	1658.64	[illegible]	2067.37	4.27	3.76	2.28	12.85	45.73	1010.08
21 Construction(38)	1198.53	+1.6	1179.09	1171.97	1380.34	4.14	3.37	2.81	10.73	24.88	1071.48
22 Building Matls & Merchs(25)	1407.57	+1.9	1381.12	1368.93	1861.04	5.22	4.55	2.03	11.80	39.99	770.82
23 Chemicals(22)	2041.00	+2.7	1990.05	1974.31	2028.15	4.76	4.45	1.68	15.82	62.93	1054.40
24 Diversified Industrials(7)	1014.28	+3.5	[illegible]	998.23	1437.74	5.70	5.30	2.18	10.47	58.21	641.93
25 Electronic & Elect Equip(28)	2448.38	+7.3	2281.52	2248.54	2217.84	3.11	2.58	1.85	21.74	53.70	1367.35
26 Engineering(83)	2213.05	+2.2	2164.85	2150.26	2797.82	4.32	3.84	2.48	11.68	56.52	1436.93
27 Engineering, Vehicles(11)	3265.23	+1.4	3220.83	3279.51	3251.65	2.68	2.48	3.39	13.76	58.01	1807.32
28 Paper, Pckg & Printing(22)	1581.02	+1.1	1564.21	1573.33	2197.66	5.61	5.10	2.43	9.17	63.15	724.15
30 CONSUMER GOODS(90)	5557.81	+3.2	5384.88	5323.51	4621.68	2.64	2.35	1.73	27.41	95.40	2207.45
32 Alcoholic Beverages(6)	3447.90	+4.4	3302.33	3265.46	3258.92	3.03	3.33	1.80	19.82	89.61	1351.70
33 Food Producers(25)	3625.73	+2.3	3542.74	3501.63	3082.37	2.86	2.45	2.10	20.63	64.65	1764.55
34 Household Goods & Texts(24)	2521.16	-2.1	2576.32	2637.27	3151.81	4.37	3.90	2.00	14.27	54.78	1065.24
36 Health Care(13)	2239.41	+1.1	2214.07	2207.51	2341.24	2.29	2.12	2.18	24.98	31.78	1438.23
37 Pharmaceuticals(19)	9852.94	+4.1	9460.05	9290.63	7502.08	1.79	1.67	1.59	44.02	145.50	3542.79
38 Tobacco(3)	5044.43	+0.7	5011.32	5075.71	4383.70	5.10	4.51	1.81	15.20	130.10	1411.88
40 SERVICES(270)	3245.44	+2.6	3164.07	3160.77	2762.94	2.64	2.16	2.03	23.32	52.64	1705.93
41 Distributors(28)	1992.88	+1.5	1961.61	1990.32	2841.77	4.98	4.11	1.95	12.81	58.47	789.60
42 Leisure & Hotels(27)	2946.93	+2.4	2877.80	2826.51	3215.37	3.30	2.68	2.63	14.82	74.24	1860.00
43 Media(40)	4010.01	+3.3	3883.26	3861.89	4164.12	2.60	2.18	2.15	22.36	76.45	1528.34
44 Retailers, Food(13)	2959.17	+1.7	2910.63	2937.88	2407.25	3.06	2.45	2.12	19.26	55.00	2026.29
45 Retailers, General(48)	2157.81	-0.3	2163.76	2174.52	2278.86	3.44	2.77	2.16	16.64	47.13	1326.74
46 Telecommunications(9)	4518.67	+5.3	4291.51	4303.91	2397.77	1.92	1.59	1.49	43.52	47.70	2210.48
47 Breweries, Pubs & Rest.(24)	3455.57	+4.1	3321.03	3281.31	3365.15	3.68	2.86	2.37	14.38	88.00	1774.15
48 Support Services(64)	4262.18	+0.7	4230.83	4195.48	3192.88	1.43	1.20	2.79	32.33	32.41	2017.67
49 Transport(24)	3305.22	+0.5	3287.82	3290.29	2893.08	3.21	2.62	1.61	24.12	80.51	1481.41
60 UTILITIES(32)	4009.84	+1.6	3944.67	3901.78	3151.52	4.01	3.29	1.74	17.91	92.24	1933.70
62 Electricity(8)	4506.49	+3.0	4374.41	4310.99	3558.49	4.47	3.57	1.90	14.75	113.98	2665.31
64 Gas Distribution(2)	3024.37	+0.8	2999.58	2872.83	2444.30	2.15	1.72	‡	‡	26.03	1748.00
68 Water(12)	3508.58	+0.1	3506.92	3483.29	2937.08	4.87	4.18	2.34	10.97	112.14	2166.49
69 NON-FINANCIALS(627)	2545.54	+2.8	2476.88	2448.94	2369.82	3.10	2.64	1.82	20.96	48.82	2084.85
70 FINANCIALS(105)	4601.81	+4.0	4423.36	4434.87	4576.98	3.67	3.03	2.17	15.73	128.15	2148.14
71 Banks, Retail(12)	6476.15	+5.5	6141.23	6182.49	7056.36	3.94	3.15	2.11	15.00	196.98	2293.18
73 Insurance(15)	2138.04	+2.7	2082.02	2096.35	1843.57	4.04	3.79	2.59	11.97	73.90	1789.31
74 Life Assurance(6)	6995.14	+2.0	6855.85	6881.81	5118.17	2.73	2.36	2.40	19.07	118.11	3129.60
77 Other Financial(25)	3822.05	+1.4	3770.80	3734.45	3306.21	2.93	2.42	2.18	19.53	81.44	2341.57
79 Property(45)	1862.73	+0.8	1847.59	1844.77	1979.24	3.52	2.97	1.93	21.74	37.51	1230.80
80 INVESTMENT TRUSTS(115)	3235.00	+2.4	3159.63	3148.86	3497.78	2.52	2.04	1.17	42.40	60.50	1184.58
89 FTSE All-Share(847)	2470.19	+3.1	2396.94	2378.16	2346.18	3.22	2.72	1.97	19.71	51.68	2254.43
105 FTSE All-Share ex Inv Tr(732)	2481.33	+3.1	2407.34	2388.19	2347.93	3.23	2.74	1.99	19.43	52.28	1165.17
Information Technology	1448.94	+2.6	1412.79	1406.53	-	0.64	0.51	3.99	48.92	5.04	1453.90
FTSE Fledgling	1165.19	+0.8	1155.63	1155.26	1263.97	3.79	3.07	1.37	24.16	29.00	1299.97
FTSE Fledgling ex Inv Tr	1186.93	+0.5	1181.68	1180.70	1268.71	4.09	3.32	1.46	21.10	28.04	1332.79
FTSE AIM	882.7	+1.4	870.8	871.4	1022.4	1.28	1.09	0.22	80.00†	7.38	818.10

Hourly movements

	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	5167.8	5208.1	5283.8	5287.1	5275.0	5294.0	5319.9	[illegible]	5352.6	5204.5
FTSE 250	4691.5	4719.0	4724.2	4723.4	4728.9	4730.5	4732.1	4737.7	4747.1	4693.1
FTSE 350	2473.8	2526.4	2522.9	2524.1	2519.8	2529.1	2537.8	2545.5	2551.5	2488.7
FTSE SmallCap	2080.10	2081.27	2081.67	2082.80	2082.67	2082.94	2083.49	2084.30	2084.80	2077.23
FTSE All-Share	2420.04	2448.38	2445.16	2446.14	2442.45	2450.82	2459.01	2466.06	2471.62	2415.77

Time of FTSE 100 Day's high: 16:21:30 Day's low: 9:03:00. FTSE 100 1998 High: 6179.0 (20/07/98) Low: 5085.8 (12/01/98)
Time of FTSE All-Share Day's high: 16:20:00 Day's low: 9:03:00. FTSE All-Share 1998 High: 2965.20 (20/07/98) Low: 2378.20 (03/09/98)

Further information is available on http://www.ftse.com

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† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Datafeed Vebsine (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday

	Vol. 000's	Closing price	Day's change
3i	300	918	+10½
AMVESCAP	1,200	470	+30
ASDA Group	941	168	-
Abbey National	2,300	1140	+47
Alliance & Leicester	3,800	801½xd	+45
Allied Domecq	710	512	+8
Assoc. Brit. Foods	100	537	+16
BAA	3,300	605	1½
BAT Inds.	0	577	-
BOC	300	808	+13
BG	5,700	350	14½
BP	4,800	867	+47
BSkyB	3,300	476¾	+14¾
BT	9,100	795	+21
BTR	7,100	171	-4½
Bank of Scotland	2,200	685	+45
Barclays	7,300	1308	+78
Bass	870	870	+34
Billiton	7,800	125½	+4½
Blue Circle	484	279½	-7½
Boots	2,500	980	+32
Brit. Aerospace	3,800	397½	+12
British Airways	3,800	442	+7
British Energy	1,700	575	+8
British Land	1,200	559½	+28
British Steel	870	107	+½
CGU	1,200	849	+35
Cable & Wireless	3,300	637	+44
Cadbury Schweppes	1,700	823½	+34½
Carlton Comms.	3,100	418½	+20½
Centrica	7,800	94½	+3½
Compass	1,200	586	+12
Daily Mail & Gen A†	90	2000	+100
Diageo	2,300	618½	+40½
EMAP†	340	975	+40
EMI	822	441½	+20½
Enterprise Oil	2,100	350	-½
Forage & Cal. I †	420	1087½	-
General Electric	3,200	400	+12
Glaxo Wellcome	3,400	1849	+86
Granada	615	832	+7
GUS	1,800	745	+3½
GRE	4,400	285½	+10½
GKN	828	658	+16
HSBC (75p shs)	8,200	1243	+113
HSBC (HK$10)	7,300	1226	+100
Halifax	12,200	730	+7½
Hays	312	505	+38
ICI	890	622	+35
Kingfisher	2,200	511½	+8½
Ladbroke	2,100	229½xd	+11½
Land Securities	300	887½	-1½
Legal & General	800	606½	+18½
Lloyds TSB	5,900	713	+54½
LASMO	8,800	135	-3
LucasVarity	1,300	208½	+8½
Marks & Spencer	7,800	519½	-8¾
Meyer	140	301½	+15
NatWest Bank	5,800	867	+16
National Grid	3,000	427	+17½
National Power	4,100	527	+11
Northern Rock†	1,000	508	-14
Norwich Union	3,200	425	+16
Nycomed Amersham	520	891	+4
Orange	2,000	601½	+28
Pearson	1,100	981	+38
P & O	2,400	685	+7½
PowerGen	600	800	+44
Prudential	3,200	851½	+11½
RMC	252	794	+9
Railtrack	2,100	1431	+3
Rank Group	404	278	-14
Reckitt & Colman	282	919	+21
Reed Intl.	3,500	501½	-7½
Rentokil Initial	4,900	347	-½
Reuters	2,900	532	+28
Rio Tinto	1,400	657½	+25½
Rolls Royce	5,000	191½	+6½
Royal & Sun Alliance	4,800	517½	+12½
Royal Bank Scotland	1,700	840	+16
Safeway	1,800	301	+7½
Sainsbury	2,600	540½	-1½
Schroders	190	1250	+40
Schroders N/V	1	1053	+10
Scottish & Newcastle	485	718½	+30½
Scottish Power	2,200	619	+4
Securicor†	877	474	+27
Severn Trent	567	930	+17
Shell Transport	18,000	386½	+4½
Siebe	9,000	234½	+12½
SmithKline Beecham	11,200	702	+57
Smiths Inds.	1,200	705	+27
Stagecoach	99	1085	-
Standard Chartered	9,500	548	+30½
Sun Life & Provincial	139	537	+13
TI Group†	177	415	+5
Tesco	8,100	170	+2½
Thames Water	431	1000	+5
Tomkins	1,200	248	+8
Unilever	4,800	595	+30
Utd. News & Media	1,600	625½	-4½
United Utilities	1,400	847	-1
Vodafone	8,000	806	+69
WPP	1,050	302	+2

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 7 / Sch)

BELGIUM/LUXEMBOURG (Sep 7 / Frs.)

CZECH REP (Sep 7 / Koruna)

DENMARK (Sep 7 / Kr)

FINLAND (Sep 7 / Mka)

FRANCE (Sep 7 / Frs.)

GREECE (Sep 7 / Drachma)

ITALY (Sep 7 / Lira)

GERMANY (Sep 7 / Dm.)

NETHERLANDS (Sep 7 / Fls.)

NORWAY (Sep 7 / Kroner)

SWEDEN (Sep 7 / Kronor)

SWITZERLAND (Sep 7 / Frs.)

POLAND (Sep 7 / Zloty)

PORTUGAL (Sep 7 / Escudo)

SPAIN (Sep 7 / Pta.)

TURKEY (Sep 7 / Tk Lira)

PACIFIC

JAPAN (Sep 7 / Yen)

HONG KONG (Sep 7 / H.K.$)

INDONESIA (Sep 7 / Rupiah)

MALAYSIA (Sep 7 / MYR)

NEW ZEALAND (Sep 7 / NZ $)

SINGAPORE (Sep 7 / S$)

SOUTH KOREA (Sep 7 / Won)

TAIWAN (Sep 7 / TW $)

THAILAND (Sep 7 / Baht)

AUSTRALIA (Sep 7 / Aust$)

MONTREAL (Sep 4 / Can $) Closed Sep 7

MEXICO (Sep 7 / Peso) 12:30 pm

AFRICA

SOUTH AFRICA (Sep 7 / Rand)

AMERICAS

CANADA

TORONTO (Sep 4 / Can $) Closed Sep 7

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY SEPTEMBER 4 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY SEPTEMBER 3 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (72)	170.88	1.1	151.43	145.10	154.10	183.64	-0.1	3.88	168.96	149.00	143.67	151.47	193.88	238.24	163.86	223.75
Austria (22)	183.09	0.7	162.24	155.47	165.11	165.01	1.2	2.05	181.89	160.39	154.66	163.06	162.97	253.73	181.60	197.91
Belgium (22)	371.33	1.1	329.05	315.31	334.86	327.74	1.7	2.09	367.20	323.81	312.24	329.19	322.12	398.52	234.33	244.35
Brazil (26)	122.15	-6.4	108.24	103.72	110.15	264.86	-6.4	4.44	130.56	115.13	111.02	117.05	283.05	308.59	122.15	270.42
Canada (119)	177.60	0.7	157.38	150.81	160.16	196.80	0.2	2.04	176.31	155.48	149.92	158.06	196.42	248.78	167.18	215.71
Denmark (34)	467.40	-0.2	414.18	396.89	421.49	419.91	0.4	1.54	468.42	413.07	398.30	419.93	418.38	537.33	375.32	375.32
Finland (28)	397.37	0.3	352.13	337.43	358.35	440.09	0.9	2.09	396.26	349.43	336.94	355.24	436.28	506.46	267.58	292.49
France (78)	294.10	0.7	260.61	249.73	265.21	268.31	1.3	2.35	292.02	257.52	248.31	261.80	264.83	345.18	217.58	226.37
Germany (55)	259.18	-0.3	229.67	220.08	233.73	233.73	0.3	1.96	259.99	229.26	221.07	233.07	233.07	325.61	204.89	221.11
Greece (37)	244.38	-1.9	216.55	207.51	220.38	524.92	-1.1	1.80	249.19	219.75	211.89	223.40	530.94	333.20	243.18	-
Hong Kong, China (66)	216.22	3.3	191.60	183.61	194.99	214.82	3.2	7.11	209.31	184.58	177.98	187.65	208.24	527.00	196.64	493.25
Indonesia (28)	26.94	-2.7	23.87	22.87	24.29	180.95	-3.6	3.62	27.69	24.42	23.54	24.82	187.88	174.57	23.58	148.41
Ireland (16)	399.00	-3.5	353.57	338.81	359.81	389.16	-2.9	2.44	413.68	364.79	351.75	370.86	400.62	560.44	359.60	367.17
Italy (54)	147.20	-0.8	130.44	124.99	132.74	188.33	-0.2	1.55	148.31	130.79	126.11	132.96	188.67	184.49	100.95	101.80
Japan (480)	84.32	-1.6	74.72	71.60	76.04	71.60	-1.8	1.10	85.74	75.61	72.91	76.86	72.91	125.38	78.40	123.88
Malaysia (106)	104.73	17.5	92.81	88.93	94.45	153.28	17.5	4.07	89.13	78.60	75.79	79.90	130.44	364.86	73.52	287.37
Mexico (29)	876.00	-2.5	776.26	743.86	789.98	9714.26	-2.2	2.80	898.32	792.17	763.86	805.34	9937.17	1901.98	873.28	1739.99
Netherlands (27)	467.29	0.3	414.08	396.80	421.40	417.49	0.9	2.21	465.75	410.71	396.03	417.54	413.80	562.38	385.56	405.02
New Zealand (14)	50.38	1.8	44.64	42.78	45.43	52.85	0.7	5.81	49.47	43.62	42.06	44.35	52.48	95.87	49.47	87.62
Norway (38)	215.68	3.3	191.12	183.15	194.50	225.58	3.0	2.79	208.82	184.15	177.56	187.21	219.05	374.64	208.82	328.59
Philippines (22)	45.58	-4.3	40.37	38.68	41.08	99.21	-3.7	1.65	47.61	41.99	40.49	42.68	102.98	115.62	45.56	104.17
Portugal (18)	245.14	-0.6	217.23	208.16	221.07	298.24	-0.1	1.09	246.65	217.50	209.73	221.12	298.42	299.39	235.61	-
Singapore (41)	102.45	-1.4	90.79	87.00	92.39	82.55	-1.7	3.66	103.87	91.60	88.32	93.12	83.98	331.17	102.45	295.29
South Africa (39)	163.64	2.8	145.00	138.85	147.57	222.63	3.0	4.02	159.23	140.42	135.40	142.75	216.22	346.20	151.55	339.24
Spain (31)	323.37	-1.2	286.55	274.59	291.61	360.75	-0.5	2.11	327.19	288.53	278.22	293.32	362.69	417.73	236.28	247.21
Sweden (49)	484.21	2.3	429.07	411.18	436.65	569.31	2.9	2.06	473.30	417.37	402.45	424.31	553.27	628.19	439.98	487.05
Switzerland (28)	372.73	0.5	330.29	316.50	336.12	328.92	0.9	1.27	371.05	327.21	315.51	332.65	325.90	439.48	290.19	296.46
Thailand (36)	8.53	-0.2	7.56	7.25	7.70	13.51	-0.1	6.98	8.55	7.54	7.27	7.67	13.53	45.52	8.15	37.40
United Kingdom (209)	336.73	0.4	298.39	285.93	303.66	298.39	0.8	3.32	335.54	295.89	285.31	300.81	295.89	401.84	303.41	310.96
USA (624)	396.50	-0.9	351.35	336.68	357.56	396.50	-0.9	1.65	400.20	352.92	340.30	358.78	400.20	485.88	358.31	378.47
Americas (798)	353.82	-0.9	313.54	300.45	319.08	300.05	-0.9	1.68	357.07	314.87	303.62	320.11	302.85	437.03	326.79	345.53
Europe (746)	319.64	0.2	283.24	271.42	288.25	295.10	0.8	2.30	318.89	281.21	271.15	285.88	292.81	386.24	266.89	271.62
Eurobloc (351)	92.76	0.0	82.19	78.76	83.65	90.50	0.6	1.90	92.78	81.82	78.90	83.18	90.00	113.28	90.92	-
Nordic (149)	435.24	1.5	385.68	369.58	392.50	441.44	2.0	2.02	428.74	378.08	364.57	384.36	432.56	555.97	388.51	414.10
Pacific Basin (863)	88.64	-0.8	78.55	75.27	79.94	76.43	-1.1	1.38	89.37	78.81	76.00	80.12	77.24	142.11	83.29	138.21
Euro-Pacific (1609)	184.86	-0.1	163.81	156.97	168.70	158.77	0.3	2.19	184.96	163.10	157.27	165.81	158.34	220.19	172.03	193.90
North America (743)	381.97	-0.9	338.47	324.34	344.45	382.88	-0.9	1.66	385.30	339.77	327.62	345.41	386.30	469.20	349.05	368.32
Europe Ex. UK (537)	300.07	0.2	265.91	254.81	270.60	284.34	0.8	1.81	299.54	264.14	254.70	268.53	282.23	368.32	236.86	244.31
Europe Ex. Eurobloc (395)	86.99	0.5	77.09	73.87	78.45	86.13	1.0	2.73	86.54	76.32	73.59	77.58	85.26	103.93	86.54	-
Europe Ex. UK Ex. Eurobloc (186)	89.53	0.8	79.34	76.02	80.74	87.64	1.4	1.54	88.78	78.29	75.49	79.59	86.48	109.21	87.93	-
Pacific Ex. Japan (383)	136.31	2.8	120.79	115.75	122.92	145.00	2.1	5.12	132.63	116.96	112.78	118.91	142.04	287.15	128.26	265.33
World Ex. Eurobloc (2095)	85.06	-0.6	75.37	72.23	76.71	85.49	-0.6	1.93	85.57	75.46	72.76	76.71	85.98	103.18	83.83	-
World Ex. US (1822)	184.12	-0.1	163.15	156.34	166.04	162.66	0.2	2.22	184.23	162.46	156.65	165.16	162.29	221.91	175.30	198.17
World Ex. UK (2237)	244.64	-0.6	216.79	207.74	220.62	223.43	-0.5	1.75	246.13	217.05	209.29	220.66	224.57	298.02	234.24	250.64
World Ex. Japan (1966)	338.17	-0.4	297.89	285.46	303.15	329.18	-0.2	2.02	337.42	297.55	286.91	302.49	329.83	411.23	309.33	322.93
The World Index (2446)	252.47	-0.5	223.72	214.38	227.67	230.24	-0.4	1.93	253.74	223.76	215.76	227.47	231.08	306.56	241.30	255.83

CONSTITUENT CHANGES WITH EFFECT 8/9/98: Addition: Allied Zurich (Large Cap UK). Deletion: DSC Communications (USA). Name change: B.A.T. Industries to British American Tobacco (UK).

Emerging markets: IFC investable indices

Dollar terms

Sep 4 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	633.39	-4.0	-43.2
Brazil	248.23	-6.5	-48.6
Chile	367.84	-2.8	-42.8
Colombia[1]	325.09	-6.5	-60.6
Mexico	385.19	-2.5	-51.1
Peru[2]	142.75	-1.1	-35.5
Venezuela[3]	260.00	+1.2	-71.6
East Asia			
China[4]	26.12	+11.9	-52.8
India[5]	62.95	+1.8	-24.5
Indonesia[6]	13.59	-3.5	-90.8
Korea[4]	25.32	-1.2	+5.4
Malaysia	58.52	+17.8	-35.8
Pakistan[8]	95.47	-1.9	-61.6
Philippines	65.77	-4.2	-41.7
Sri Lanka[10]	57.75	-1.1	-50.4
Taiwan, China[4]	99.81	+3.7	-29.2
Thailand	31.77	+0.7	-32.4
Europe			
Czech Rep	43.64	+1.2	-20.2
Greece	438.58	-1.8	+35.4
Hungary[9]	203.31	-4.0	-35.4
Poland[11]	475.57	+0.1	-20.3
Portugal	273.59	-0.3	+29.6
Russia	21.46	+8.4	-85.6
Slovakia	59.36	-1.2	-40.1
Turkey[14]	161.02	+3.8	-48.4
Mideast/Africa			
Egypt	68.58		-26.4
Israel	106.17	+0.5	-12.8
Jordan	229.38		+9.1
Morocco	182.33	-1.0	+40.0
S Africa[15]	105.53	+0.3	-41.3
Zimbabwe[16]	139.73	-4.6	-44.5
Regions			
Composite	151.71	-0.1	-38.3
Latin America	348.63	-3.9	-48.5
Asia	73.48	+4.4	-31.8
EMEA	101.44	+0.2	-31.3
Europe	129.66	+0.3	-31.2
Eastn Europe	49.26	+0.6	-84.9
ME & Africa	49.08	+0.2	-31.4

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 29 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.
Latest values were unavailable for this edition.

Sep 4/closed Sep 7

NEW YORK STOCK EXCHANGE PRICES

advertisement

EUROBENCH® "INSECTS®" INDICES

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Sector		SETT 07-09-1998	Close 07-09-1998	Previous 04-09-1998	Change on day	% Change	1998 HIGH	1998 LOW
Financials	USD	1884.15	1888.94	1879.59	+9.35	+0.49	2451.69	1364.48
IN-FIN	DEM	2275.28	2275.85	2281.41	-5.56	-0.24	3080.15	1641.19
Non-durable goods	USD	1694.69	1697.87	1674.78	+23.09	+1.37	1760.72	1183.48
IN-GOODS	DEM	2038.81	2045.63	2032.81	+12.82	+0.63	2195.63	1360.43
Oils	USD	1261.14	1269.05	1239.29	+29.76	+2.40	1533.95	1132.90
IN-OIL	DEM	1514.05	1528.90	1504.22	+24.78	+1.64	2027.16	1398.72
Pharma-chemicals	USD	1414.00	1411.00	1388.13	+22.87	+1.64	1680.68	1227.09
IN-PHARMA	DEM	1898.45	1790.01	1684.88	+15.13	+0.89	2115.51	1475.94
Telecoms	USD	2182.74	2185.33	2118.44	+66.89	+3.15	2437.22	2845.51
IN-TELCO	DEM	2621.85	2632.94	2571.31	+61.63	+2.39	3072.26	2312.88

Further information about the INSECTS and constituents are available for download on our web-site HTTP://WWW.EURO-INSECTS.COM and further information about EuroBench is on HTTP://WWW.EUROBENCH.COM. A free daily email service can also be subscribed to on the web. For hard copy information please call London (+ 44 171 336 7888) or Brussels (+32 2 509 94 80).

Price data supplied by Extel, part of FT Information

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ¶ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Sep 4	Sep 3	Sep 2	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	7640.25	7682.22	7782.37	9337.97 (17/7)	7539.07 (31/8)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	105.08	105.22	105.19	105.48 (15/7)	104.42 (11/5)	105.48 (15/7/98)	54.99 (1/10/81)
Transport	2616.75	2624.47	2702.55	3686.02 (16/4)	2616.75 (4/9)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	271.67	272.38	272.87	285.40 (6/7)	252.66 (9/1)	285.40 (6/7/98)	16.53 (8/7/32)

DJ Ind. Day's high 7831.29 (7841.58) Low 7450.24 (7495.68) (Theoretical)†
Day's high 7780.75 (7781.34) Low 7495.81 (7578.48) (Actual)†

Standard and Poors	Sep 4	Sep 3	Sep 2	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	973.89	982.26	990.48	1186.75 (17/7)	927.69 (9/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials♥	1165.73	1170.34	1175.34	1380.48 (17/7)	1077.40 (9/1)	1380.48 (17/7/98)	3.52 (30/6/32)
Financial♥	102.89	105.56	109.69	147.89 (14/7)	102.89 (4/9)	147.89 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	486.31	489.89	494.83	600.75 (17/7)	480.60 (31/8)	600.75 (17/7/98)	4.64 (25/4/42)
Amex Comp	602.71	598.70	602.61	753.87 (22/4)	585.07 (31/8)	753.87 (22/4/98)	524.20 (16/7/98)
NASDAQ Cmp	1566.52	1571.86	1592.85	2014.25 (20/7)	1499.22 (31/8)	2014.25 (20/7/98)	54.87 (3/10/74)
Russell 2000	347.07	346.29	352.65	491.41 (21/4)	337.95 (31/8)	491.41 (21/4/98)	123.36 (7/12/93)

■ RATIOS

	Sep 4	Aug 28	Aug 21	Year ago
Dow Jones Ind. Div. Yield	1.95	1.84	1.44	1.67
	Sep 2	Aug 26	Aug 19	Year ago
S & P Ind. Div. yield	1.47	1.33	1.32	1.62
S & P Ind. P/E ratio	26.84	30.83	31.03	25.11

US DATA

■ MARKET ACTIVITY

Volume (million)	Sep 4	Sep 3	Sep 2
NYSE	780.370	880.560	894.890
Amex	36.230	40.439	35.783
NASDAQ	626.724	759.855	943.080

NYSE	Sep 4	Sep 3	Sep 2
Issues Traded	3,480	3,520	3,533
Rises	1,475	1,001	1,871
Falls	1,516	2,094	1,255
Unchanged	489	425	407
New Highs	12	11	20
New Lows	382	465	282

■ NYSE TRADING ACTIVITY — Volume : 780,370,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Travlr	13,781,200	39½	−1¼
ChaseM	11,272,700	45¾	−4
Telebras	8,755,300	80⅞	−4⅛
PhMorr	8,843,200	42	−⅞
Citicp	8,604,400	92⅞	−6⅞
GenElec	8,172,400	75¾	−2¾
Pfizer	7,738,100	95¾	−4⅞
PbSvEG	7,558,400	35	−1¾
LucentTch	7,552,100	75¼	−2¾
Schlmb	5,830,100	50	+2¾

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
NewmontG	21⅝	+3⅞	+19.5
Global Mar	11⅝	+1⅞	+16.8
NewmtM	20	+2¾	+15.9
Fila	10⅝	+1⅞	+14.1
Downs			
EquCos	42½	−6⅞	−13.4
FSTPLUS	20	−3	−13.0
Frnklin	20⅞	−3⅞	−10.6
Alumax	51⅝	−4⅞	−8.6

■ NASDAQ TRADING ACTIVITY — Volume :626,724,000

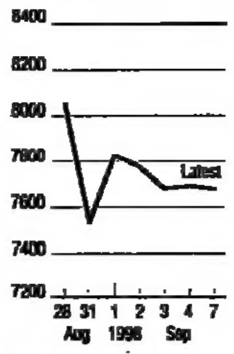
■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
DellComp	30,176,400	100¾	−1⅞
CmbTch	18,460,900	27¾	−7¾
Intel	15,956,000	78¾	+1½
Micsft	12,716,400	86¾	−2¾
CscoSys	12,162,500	80¾	−1¾
WrldCm	10,946,400	45¾	−7¾
Oracle	8,443,800	20⅞	+1¾
PeopSoft	7,286,700	30⅞	+1¾
TCI GpA	6,954,800	36¾	+2¾
3Com	5,966,700	23¾	−½

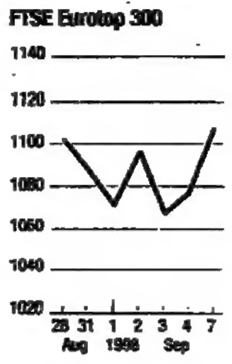
■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Symetic	43½	+6⅛	+17.6
Amsrt Cp	13⅞	+2	+17.5
VertexPh	20⅝	+2½	+14.0
Cal Dive	14	+1⅝	+13.1
Downs			
CmbTch	27⅝	−7⅝	−22.1
ImpCrin	11⅞	−2⅞	−19.7
Nologic	11	−2	−15.4
PennaeMly	15	−2⅜	−11.6

Dow Jones



FTSE Eurotop 300



JAPAN

	Sep 7	Sep 4	Sep 3	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	14790.06	14042.91	14261.24	17264.34	13915.63	38915.9	85.25

Day's high 14790.06. Day's low 13912.65

■ TOKYO TRADING ACTIVITY — Volume : 503,000,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Np Steel Cp	18,843,000	234	+14
Sakura bank	11,944,000	364	+10
Hitachi	11,573,000	624	−15
NKK Cp	11,541,000	98	+1
Fuji Bank	9,886,000	380	+11
Toshiba Cp	9,562,000	483	−5
Toa Steel	8,978,000	3	
Kwsaki Steel	8,700,000	195	
Sumo Mtl Ind	7,458,000	170	−5
Bk Tk-Mitsbs	7,162,000	1099	+54

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Hino Motors	375	+57	+17.9
Kimmon Mfg	213	+30	+16.7
Teagosei	246	+34	+15.9
The Car Co	139	+19	+15.8
Downs			
Stoma Co Ltd	310	−50	−13.9
Kotto Mfg	492	−58	−10.6
Brother Inds	378	−43	−10.2
Tezra	231	−20	−8.1

GERMANY

	Sep 7	Sep 4	Sep 3	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	4923.37	4820.25	4812.18	6171.43	4087.28	6171.43	931.18

Day's high 5000.67 Day's low 4876.81

■ FRANKFURT TRADING ACTIVITY — Volume (u)

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
IG Farben	4,567,500	3.99	−0.71
Dt Telekom	741,297	52.6	−1.4
Bayer	625,775	66.5	−0.6
Dt Bank	616,958	108	+1.65
Dt Lufthansa	477,147	41.5	−1.4
Dresdner Bk	440,529	74	+3
Siemens	432,230	118.3	−4.4
Commerzbk	342,816	51.6	−1.4
Daimler Benz	326,356	163	+2.7
Mannesmann	272,114	168.5	+1.6

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
HoechP*	151	+14	+10.2
Dougls	36	+7	−9.7
BASF*	750	+50	+6.8
MAN	471	−29	−6.4
Ergo	278	+16	+6.1
Downs			
Dt Bab	91	−4	−4.2
JngPf	325	−12	−3.8
DrGwk	145	−5	−3.5

FRANCE

	Sep 7	Sep 4	Sep 3	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	3695.35	3690.75	3645.46	4388.48	2662.54	4388.48	494.61

Day's high 3767.60 Day's low 3652.50

■ PARIS TRADING ACTIVITY — Volume : 392,163,490

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
RhonPA	1,277,086	272.9	−8
FrTele	1,230,042	431	−1
Axa	1,176,097	582	−12
Schndr	706,709	310.5	−3.5
Usinor	680,629	61.55	−0.6
Paribas	648,414	461	−8.1
BNP	615,165	507.5	+10.7
EltAqu	567,915	675	−2
TotalB	510,904	600	−10
Alcatel	498,564	955	+20

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
CCF	431	[illegible]	[illegible]
Eramet	160	−10.5	−6.6
Fimaltx	770	−40	−4.6
Tonna	550	[illegible]	[illegible]
Downs			
DassSy	259.5	[illegible]	[illegible]
Fenaps	519	−21	[illegible]
OtLrCl	300	−20	−6.5
ErBCtz	971	[illegible]	[illegible]

UK

	Sep 7	Sep 4	Sep 3	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5247.0	5167.0	5118.7	6179.00	5068.50	6179	[illegible]

Day's high 5252.0 Day's low 5167.0

■ LONDON TRADING ACTIVITY — Volume 736,300,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Shell	15,871,750	[illegible]	[illegible]
Orange	12,607,840	612	[illegible]
Dana Pet	12,582,290	[illegible]	[illegible]
Halifax	12,166,030	730	+7
SKline Bchm	11,167,399	742	+57
UPF	10,531,700	110	
Euro Em Bunk	10,414,000	124	
Standard Chrtd	9,345,014	440	+30
Br Telecom	8,932,412	795	+21
Segr	8,904,607	234	+13

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Gen Bd Media	[illegible]	[illegible]	[illegible]
Berisfrd Int	[illegible]	[illegible]	[illegible]
Intercare	[illegible]	[illegible]	[illegible]
Man United	[illegible]	[illegible]	[illegible]
Westbury	[illegible]	[illegible]	[illegible]
Grenham	[illegible]	[illegible]	[illegible]
Downs			
Powerhse	[illegible]	[illegible]	[illegible]
Airtech	[illegible]	[illegible]	[illegible]

INDEX FUTURES

■ S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	985.40	976.00	−9.5	994.00	955.00	185,585	337,795
Dec	999.00	985.80	−9.6	1004.00	966.20	26,499	84,869
■ Nikkei 225							
Sep	13950.0	14930.0	+920.0	14960.0	13880.0	52,620	189,440
Dec	13960.0	14830.0	+910.0	14830.0	13810.0	8,795	94,513

Open interest figures for previous day

■ CAC-40 (200 × Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	3666.0	3736.0	+31.5	3794.0	3666.0	43,043	194,776
Dec	3800.0	3765.5	+32.5	3800.0	3722.5	430	21,297
■ DAX							
Sep	5020.0	4960.0	+90.0	5029.0	4877.0	24,753	89,867
Dec	5049.5	4985.5	+110.5	5052.5	4917.0	1,306	6,451

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	654.00	658.00	+10.00	666.75	654.00	[illegible]	[illegible]
Oct	663.00	658.50	+14.75	663.00	659.50	133	[illegible]
■ SOFFEX							
Sep	6665.0	6862.0	+196.0	6895.0	6720.0	5,202	[illegible]

WORLD MARKETS AT A GLANCE

Country	Index	Sep 7	Sep 4	Sep 3	1998 High	1998 Low	Yield	P/E
Argentina	General	14538.07	14069.09	14589.76	23485.47 23/3	14069.09 4/9	4.5	11.7
Australia	All Ordinaries	2509.2	2504.0	2513.3	2891.40 18/4	2458.20 1/9	3.6	18
	All Mining	570.9	538.2	518.2	713.10 23/4	499.80 31/8		
Stored with bonds and firmer A$ in sympathy with Asian gains. Golds jumped 6.3 per cent. Volume was a modest A$768m.								
Austria	Credit Aktien	(u)	385.48	386.17	594.34 26/5	386.17 3/9	2	11.8
	ATX Index	1167.52	1138.55	1124.76	1639.56 26/5	1124.76 3/9		
Hosiery group Wolford jumped 14 per cent as shares pushed higher.								
Belgium	BEL20	3312.71	3291.79	3225.88	3632.07 20/7	2357.78 10/1	1.7	20.6
Ended higher with drugs group UCB rising 2.7 per cent.								
Brazil	Bovespa	(c)	5837.0	6219.0	12289.00 15/4	5837.00 4/9	na	na
Closed for national holiday.								
Canada	TSE 100♦	(c)	351.39	350.18	475.83 25/5	338.82 31/8	1.9	79
	Metals Mins♦	(c)	2848.03	2735.24	4380.01 10/3	2500.10 31/8		
	Composite♦	(c)	5742.51	5711.18	7822.30 22/4	5530.70 31/8		
	PortfolioSE	(c)	2940.80	2937.37	3895.01 25/5	2804.58 31/8		
Closed for national holiday.								
Chile	IGPA Gen♥	3164.39	3148.40	3206.25	4861.65 17/3	3148.40 4/9	4.2	9.8
China	Shanghai B	31.52	31.75	30.23	58.58 10/2	28.25 12/8	1.5	29.3
	Shenzhen B	62.89	61.43	58.83	98.87 10/2	48.88 13/8		
Hard-currency shares continued to trade in sturdy volumes amid talk Beijing would soon unveil market-boosting measures.								
Colombia	IBB	(u)	810.77	848.78	1431.48 7/1	810.77 4/9	na	na
Czech Republic	PX 50	385.3	380.8	370.7	617.30 23/3	370.70 3/9	na	na
Gained ground but ended well below the day's peaks.								
Denmark	CopenhagenSE	648.03	644.63	645.80	778.84 7/4	637.39 1/9	1.6	17.4
Ended higher helped by broker upgrade for leading banks.								
Egypt	Cairo SE Gen	362.2	(c)	361.14	393.19 21/4	345.40 2/2	na	na
Pushed higher on talk of new pension funds about to enter the market.								
Finland	HEX General	4350.80	4251.92	4221.84	5503.43 21/7	3220.43 12/1	2.4	13.8
Nokia bounced 3.9 per cent as broad market gained ground.								
France	SBF 250	2389.99	2359.89	2337.45	2799.73 17/7	1873.10 13/1	2.5	17.4
	CAC 40	3695.35	3690.75	3645.46	4388.48 17/7	2882.54 12/1		
CCF jumped 7 per cent following an upgrade as shares ended little changed.								
Germany	FAZ Aktien	1553.22	1545.37	1535.40	1940.80 20/7	1334.15 12/1	1.5	20.4
	Commerzbank	4627.40	4583.70	4567.20	5712.60 20/7	3825.20 12/1		
	DAX‡	4923.37	4820.25	4812.18	6171.43 20/7	4087.28 12/1		
Gained ground with a 10 per cent for Henkel and strong banks providing the main support.								
Greece	Athens SE	2126.87	2086.38	2117.11	2825.52 21/7	1380.13 29/1	2	16.5
	FTSE/ASE 20	1289.26	1281.77	1298.28	1727.13 21/7	755.18 29/1		
Moved higher with gainers beating fallers 155 to 65.								
Hong Kong	Hang Seng	8076.76	7488.47	7318.59	11810.83 25/3	6660.42 13/8	5.6	8.5
	HSCC Red Chip	752.23	693.55	594.87	1775.89 27/2	578.07 1/9		
Surged as interbank rates tumbled after moves by government to strengthen currency board and improve liquidity.								
Hungary	Bux	4958.38	4801.65	5096.02	8918.36 23/4	4801.65 4/9	na	na
Gainers outpaced losers 17 to 11 as broad market edged higher.								
India	BSE Sens.	3051.93	2975.10	2918.89	4280.96 21/4	2882.55 1/9		
	Crisil 500	603.06	580.67	583.32	815.92 21/4	573.82 18/8	na	na
The strong yen and bounce for Asian share lifted the broad market.								
Indonesia	Jakarta Comp.	335.81	325.56	334.79	554.10 2/2	325.56 4/9	3	12.6
Followed regional markets higher in spite of anti-government student protest in Jakarta. Gainers trebled losses.								
Ireland	ISEQ Overall	3924.30	3944.47	4037.52	5471.81 21/4	3944.47 4/9	2.4	15
Israel	Tel Aviv 100	(c)	(c)	303.02	337.43 8/6	252.12 11/2	na	na
Italy	BCI Comit 30	312.30	303.74	304.20	399.80 20/7	254.94 2/1	2	22.3
	Banca Com Ital	1297.14	1288.73	1282.92	1654.38 7/4	1072.35 2/1		
	Mibtel General	20840.0	20349.0	20412.0	26377.00 8/4	17208.00 2/1		
Ended higher led by 6.2 per cent surge for Eni.								
Japan	Nikkei 225	14790.06	14042.91	14261.24	17264.34 2/3	13915.63 28/8	1	37.7
	Nikkei 300	222.72	214.84	218.75	257.43 10/2	212.26 28/8		
	Topix	1132.65	1094.47	1113.77	1300.30 10/2	1088.59 28/8		
	2nd Section	1179.50	1188.83	1210.83	1481.27 13/2	1179.76 14/1		
Aggressive buying of futures contracts ahead of Friday's expiry propelled market sharply higher in volume of 503m shares.								
Jordan	Amman SE	(c)	(c)	(c)	184.52 17/8	164.54 30/1	na	na
Bluechips pushed higher in modest volumes.								
Malaysia	KLSE Comp.	445.05	363.44	313.07	745.35 17/2	262.70 1/9	4.3	9.5
Record percentage gain as local funds chased shares higher. Volume expanded to M$1.8bn ringgit.								
Mexico	IPC	3214.34	3045.17	3102.39	5804.00 2/1	2901.93 31/8	2	8.8
Pushed strongly ahead in early trading on hopes for lower US interest rates.								
Morocco	CASA	881.30	881.75	883.63	883.98 1/9	665.57 21/1	na	na
Netherlands	CBS TtlRtnGen	1243.4	1236.2	1228.2	1488.80 20/7	1045.30 12/1	2.2	20.7
	CBS All Shr	700.3	696.4	690.8	845.10 20/7	590.20 12/1		
Ended higher with weak financial counter-balancing gains for Philips and Unilever.								
New Zealand	Cap. 40	1780.66	1789.07†	1775.67	2358.02 20/3	1780.66 1/9	5.6	15.5
Eased on thin volumes despite firm local dollar and debt markets. Brierley continued to sink ahead of results Thursday.								
Nigeria	SE All-Share	5757.17	5773.26	5777.08	6504.87 11/2	2236.40 13/1	na	na
Norway	Oslo SE Ind	1708.08	1662.88	1640.70	2378.08 4/5	1640.70 3/9	2.2	11.6
Oil price optimism continued to boost broader market. Kvaerner rose 14 per cent.								
Pakistan	Karachi SE	987.42	985.53	977.42	1748.31 2/1	765.73 14/7	na	na
Higher amid hopes Pakistan will receive a $1.5bn refinancing package from the Islamic Development Bank.								
Peru	Lima Gen	1297.75	1280.99	1291.69	1903.91 4/5	1236.08 1/9	na	na
Philippines	Manila Comp	1186.93	1150.39	1192.95	2311.42 25/3	1150.38 4/9	2.2	8.8
San Miguel Corp outperformed after a newspaper reported it is to sell its stake in Coca Cola Amatil for some $900m.								
Poland	WIG	12418.5	11856.3	11871.5	18582.70 11/3	10883.70 1/9	3.5	3.6
Sentiment boosted by forecast of 0.7 per cent August deflation which could help country meet inflation target.								
Portugal	BVL 30	4785.41	4769.81	4782.10	6176.89 22/4	3579.27 2/1	2.1	30.3
	PSI 20	10877.15	10804.00	10811.09	14292.98 22/4	9031.84 2/1		
Russia	RTS	63.29	63.13	61.43	411.81 5/1	61.43 3/9	na	na
Shares little changed as Duma again rejected Viktor Chernomyrdin's appointment as prime minister.								
Singapore	SES All-S'pore	259.12	253.20	256.09	437.88 19/3	253.20 4/9	3.5	11.3
	Straits Times	862.10	805.04	812.70	1698.75 19/3	805.04 4/9		
Sharply higher as trading commenced in futures contracts on the MSCI Singapore stock index on the Simex exchange.								
Slovakia	SAX	112.13	112.41	113.43	182.48 5/1	107.03 1/7	na	na
Losses to aluminium maker ZSNP pulled index lower.								
South Africa	JSE All Share	4954.3♥	4825.9	4791.1	8358.70 20/4	4791.10 3/9		
	JSE Gold	995.2♥	916.7	830.5	1152.70 6/7	672.60 18/3		
	JSE Indl	5728.8♥	5604.3	5627.1	9842.70 20/4	5604.30 4/9	4.2	8.7
Pushed higher thanks to a sparkling performance by golds. Gold Fields jumped 19 per cent.								
South Korea	KoreaCmpEx**	328.22	314.22	314.78	574.35 2/3	280.00 16/6	1.6	14.7
Rallied with resurgent yen and regional markets. Foreigners remained net buyers and rises more doubled falls.								
Spain	Madrid SE	749.76	740.02	742.11	947.62 17/7	645.14 12/1	2.1	20.8
Stayed positive with support supplied by utilities and retailers.								
Sri Lanka	CSE All Share	465.90	463.60	461.00	789.70 4/5	461.00 3/9	na	na
John Keells Holdings outperformed as rises doubled falls. Volumes were thin with foreigners largely on sidelines.								
Sweden	AffarsvarldnGen	(u)	3114.4	3040.1	3965.60 20/7	2863.10 12/1	2.3	18.7
Forestry group AssiDoman marked lower as Standard & Poors put company's ratings on creditwatch.								
Switzerland	SMI Index	6848.7	6674.2	6605.1	8412.60 21/7	6062.10 12/1	1.4	21.6
	SPI General	4300.29	4210.05	4174.77	5237.39 20/7	3781.36 12/1	na	na
Strength in key Asian markets and gains in S&P 500 futures helped shares ahead.								
Taiwan	WeightedPr**	6800.73	6463.15	6251.38	9277.09 2/3	6251.38 3/9	1.7	17.5
Prices built on Saturday's gains as volume eased to T$59.5bn. Plastics and rubber sectors gained most.								
Thailand	Bangkok SET	220.56	207.31	207.40	558.82 3/2	207.31 4/9	5.7	31.7
Rallied with regional rebounds in moderate volumes. Banks surged 18.7 per cent and financials jumped 11.4 per cent.								
Turkey	IMKB Nat 100	2643.19	2637.71	2540.22	4630.99 16/7	2524.58 1/9	4.4	10.4
Ended little changed. Tupras added 1 per cent and accounted for 10 per cent of day's volume.								
Venezuela	IBC	2750.23	2737.45	2726.53	7856.92 23/3	2726.53 3/9	na	na
Zimbabwe	ZSE Industrial	(u)	(u)	5545.82	8795.71 31/3	5441.85 1/9	na	na
Analysts see more downside in market undermined by currency woes.								
WORLD	FT/S&P World(S)	(u)	(u)	253.74	305.82 17/7	243.98 9/1	na	na
	MS Capital IntS	987.4*	952.3	956.8	1143.80 20/7	888.50 12/1	na	na
CROSS-BORDER	DJ Stoxx 50	3069.99	3009.65	2975.02	3870.82 20/7	2574.51 12/1		
	DJ Euro Stx 50	3038.09	3003.66	2971.38	3959.41 17/7	2486.81 12/1		
	FTSE E300	1100.60	1078.39	1068.09	1327.88 20/7	971.93 12/1		
	FTSE E100	2556.83	2499.63	2464.56	3086.91 20/7	2226.40 12/1	na	na
	HSBC Drgn	(u)	157.35	152.86	273.91 26/3	162.78 7/8	na	na
	ING Brngs Emrg	(u)	92.02	93.28	160.88 22/4	89.70 1/9	na	na

** Sat Sep 5: Taiwan Weighted Price 6756.71; Korea Comp Ex 315.83. Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † XETRA-DAX after-hours index: Sep 7 4945.74 +80.77 † Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ♣ Yields and P/E ratios are based on Datastream Total Market Indices. ♣ Nasdaq.

THE NASDAQ STOCK MARKET

Sep 4/closed Sep 7

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMEX PRICES

Sep 4 / close Sep 7

Stock	Div.	P/E	Vol 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int. Comp		36	1545	3⅝	3⁷⁄₁₆	3⅝
Jan Bell		10	119	5½	5⁷⁄₁₆	5⅜
Lynch Cp		35	17	70¼	[illegible]	70¼
SJW Corp	2.34	11	15	53½	53	53½
ViacomB		72	9386	59½	56	57⅛
Xytronx			20	⅜	⅜	⅜

EASDAQ

The EASDAQ All Share Index (EASI) for 7th September: 734.33 UP 1.30% Day's high: 739.02 Day's low: 716.71

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with an international aspiration. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low
4Front Technologies	US$6.875		0	11.5	5.25
ActivCard	US$4		20000	6.375	2.25
Algol	ITL34000		0	44250	13250
Artwork Systems	US$15	−0.25	13390	21.125	5.875
Autonomy Corp	US$3.75		277600	4.1875	3.75
Chemunex	FFr10.5		8000	22.5	5.5
City Bird Holding	US$6.75	+0.0625	3850	10.3125	6.1875
Dialog Holdings	GBP1.2	−0.05	8650	7.1	1.2
EDAP TMS	US$2.6875		0	9.125	2.6875
EPID	DEM8.375	−0.125	40300	10.375	8.375
ESAT Telecom	US$25.5	+0.125	40	43.75	12.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Company	Mid price	Change on day	Volume	High	Low
ICOS Vision Syst	US$14.125	−0.375	[illegible]	[illegible]	[illegible]
Innogenetics	US$44.875	−1.25	[illegible]	[illegible]	[illegible]
Lernout & Hauspie	US$43.375	[illegible]	[illegible]	[illegible]	[illegible]
Mercer Intl	US$6.5	−0.375	0	[illegible]	[illegible]
NTL	US$35.25	−0.5	40	[illegible]	[illegible]
Optibase	[illegible]	+0.75	13800	[illegible]	[illegible]
Royal Olympic	[illegible]		0	18.5	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STOCK MARKETS

Governments spur Asian rebound

WORLD OVERVIEW

A rebound across the Asian markets and optimism about the outlook for US interest rates meant that world markets managed to surge ahead even without any guidance from Wall Street, *writes Philip Coggan.*

Alan Greenspan, the US Federal Reserve chairman, indicated over the weekend that he was as likely to cut interest rates as to raise them. That raised hopes that a US rate cut, perhaps accompanied by reductions in other G7 countries, might break the downward spiral of world stock markets. European markets enjoyed the ride, despite the weaker dollar.

Asia may have got a lift from Mr Greenspan's comments but the continent had its own reasons to be cheerful. Governments played the leading role in sparking the regional rally, although free-market purists would not have been enamoured of some of the measures taken.

In Japan, there was talk of government buying support for leading shares; in Hong Kong, new measures boosted liquidity in the money markets and restricted short selling. The markets rebounded 5.3 per cent and 7.9 per cent respectively.

Wall Street and Toronto were closed for national holidays

However, the latest survey by Merrill Lynch and Gallup found that Asian pacific fund managers were switching out of Hong Kong and into cash. Sellers of the Hong Kong market outnumbered buyers by 43 percentage points, with the majority of managers expecting the former UK colony to abandon the dollar peg by the end of 1999.

The Malaysian market continued to astound the sceptics, rising 22 per cent in one day – the bullish equivalent of Wall Street's dramatic decline on Black Monday in October 1987.

Cuts in bank reserve requirements gave the market a lift and investors were also looking to buy the shares of companies linked to friends of prime minister Mahathir Mohamad.

But the Kuala Lumpur market seemed to be benefiting from a technical bounce arising from last week's imposition of capital controls.

Golds boost Jo'burg

SOUTH AFRICA

Led by another sparkling session for golds, Johannesburg moved strongly ahead in good volumes. The all share index ended up 127.4 at 4,954.3.

Both financials and industrials pushed higher, adding 53.9 to 6,770.1 and 124.5 to 5,728.8 on the respective indices.

But the main driving force of the day came from the golds sector.

Adding to Friday's dramatic 11.7 per cent bounce, the golds index surged a further 78.5 or 8.6 per cent to 995.2 as analysts predicted seeing a range of healthy third-quarter earnings from the industry.

Optimistic brokers pointed to the steep slide for the rand in recent months and suggested that the sector was now ripe for some earnings upgrades.

Gold Fields rose R6 or 19.4 per cent to R37 and Randfontein Estates gained R1.20 or 8.5 per cent to R15.40.

AMERICAS

MEXICO CITY rallied strongly as talk of a reduction in US interest rates sparked a wave of buying that quickly reversed Friday's losses.

"The bargain hunters are out in force this morning. It's all to do with US rate hopes and the bounce across Asia," said one broker.

At midsession, the IPC index was up 149.13 or 4.9 per cent at 3,194.30.

SANTIAGO also gained ground, although activity during the morning session was said to be on the thin side. At midsession, the IPSA index was up 0.73 or 1.2 per cent at 60.48.

● **São Paulo was closed.**

Tokyo leads regional surge

ASIA PACIFIC

A combination of factors sent **TOKYO** soaring, pulling other Asian indices sharply higher, *writes Paul Abrahams in Tokyo.*

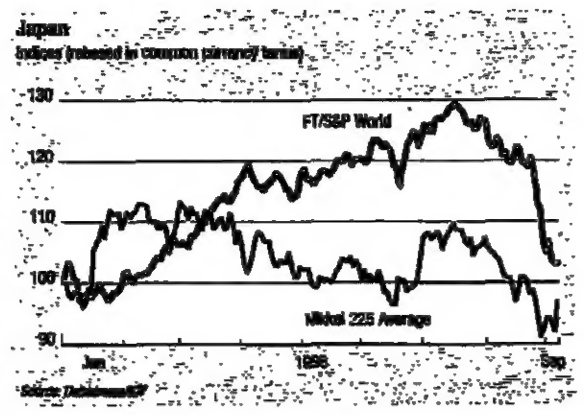
A strong performance in S & P 500 futures overnight following comments about possible lower US interest rates by Alan Greenspan, Federal Reserve chairman, provided a significant boost to the market.

Analysts said the benchmark Nikkei 225 index had also been driven by heavy purchases of large stocks by companies and government institutions.

The aim of the buying was to drive the index higher before the end of the first half of the financial year on September 30. If at that time the index remained below the 14,000 points level hit last week many financial institutions and industrial companies would have to post big losses on their stock portfolios.

The Nikkei 225 closed up 5.3 per cent or 747.15 at its high for the day of 14,790.06 in heavy volume of 503m shares, having picked up from a low of 13,912.69. The rise was less marked in the broader Topix index, which covers the whole of the first section. This closed up 38.18 or 3.5 per cent at 1,132.65. The momentum was strong, with 986 shares up, 185 down and 135 unchanged. However, some analysts argued the recovery was not broad based, pointing out that the second section fell 0.6 per cent, the same percentage as the OTC market.

Other factors behind the rise included the gathering strength of the yen, which made Japanese assets more attractive to international investors; the expiry of option and index futures on Friday; and hedge funds covering short positions.



Unusually, all sectors closed higher, with oil and coal products up 9 per cent, and paper and pulp up 6.6 per cent. However, the integrated electronics groups such as Hitachi and Toshiba which have been suffering a collapse in chip prices, closed down Y15 at Y624 and Y5 at Y473.

KUALA LUMPUR shot ahead by 22.5 per cent – its steepest ever one-day gain – after the central bank reduced reserve requirements and the big banks cut interest rates.

THE DAY'S CHANGES

	% Change
Kuala Lumpur	+22.5
Hong Kong	+7.9
Singapore	+7.1
Bangkok	+6.4
Tokyo	+5.3
Seoul	+3.9
Jakarta	+3.2
Sydney	+2.6
Manila	+2.4

At the end of a high volume session which sent turnover up to M$1.6bn, the composite index was 81.62 higher at 445.06 for a rise of 69 per cent since the start of the month.

The central bank said the reduction in statutory reserve requirement from 6 to 4 per cent would inject M$8bn into the banking system. Sentiment was also boosted by the strength of the yen and a rally for Japanese equities. Shares in the Renong group were the most actively traded, notably United Engineers which rose 63 cents to M$2.36 and Time Engineering 33 cents to M$1.05.

BANGKOK pushed ahead strongly following steep gains for the banking sector which jumped almost 17 per cent. Krung Thai Bank rose Bt1.40 to Bt7.00, Thai Farmers Bank Bt3.00 to Bt19.25 and Bangkok Bank Bt3.25 to Bt23.75.

Brokers said there had been frantic bargain hunting but volumes were fairly moderate. The SET index closed up 13.25 at 220.56.

HONG KONG jumped 7.9 per cent on short-covering triggered by a firmer yen and lower interest rates after the government moved to boost liquidity in the banking system.

The Hang Seng index jumped 588.29 to close at 8,076.76, off an intra-day high of 8,189.43. Turnover picked up to HK$9.8bn from HK$6.9bn on Friday.

Interbank rates closed sharply lower after the Hong Kong Monetary Authority announced a seven-point plan on Saturday to improve liquidity in the banking system and bolster the territory's linked exchange rate mechanism.

At the same time, government measures announced yesterday to tighten rules mainly on stock settlement and short-selling were seen as positive because they could help stabilise the stock and futures markets.

Property stocks led the blue-chip rally with a rise of 13.1 per cent. Cheung Kong surged HK$4.30 to HK$34.70, Henderson Land HK$3.20 to HK$27.15 and Sun Hung Kai Properties HK$3.10 to HK$26.60.

HSBC Holdings rose HK$5.50 to HK$159.50 and Hongkong Telecom soared HK$1.15 to HK$16.00.

China plays continued to outperform the market with the red-chip Hang Seng China-Affiliated Corporations index advancing 10.1 per cent and the Hang Seng Chinese Enterprises index of H shares adding 12.7 per cent.

SINGAPORE climbed 7.1 per cent on the back of futures trading, improved regional currencies and some portfolio shifting into Singapore. The 55-share Straits Times index picked up 57.06 to end at 862.10 after an intra-day high of 875.60.

Part of the surge was attributed to the start of futures trading on the Morgan Stanley Capital International Singapore stock index.

Among the winners, Creative Technology rose S$1.40 to S$18.50. Singapore Airlines foreign and local tranches gained 85 cents and 52 cents to end at S$8 and S$5.50 respectively.

EMERGING MARKET FOCUS

Russia proves mixed blessing for Tel Aviv

As investors, stung heavily by the Russian crisis, flee emerging markets, Israel can at least count itself lucky that the sting has not been too deep.

Foreign investors who started returning to the Tel Aviv Stock Exchange (TASE) last spring, and soon accounted for 12 per cent of daily turnover, did pack their bags.

As the Russian crisis unfolded, they wanted to limit their exposure to the local market regardless of the economic fundamentals. For them, Israel was just another emerging market.

In recent weeks, the TA 100 and the Maof-25 indices have declined by 9 per cent, with daily turnover last week amounting to an average Shk279.9m ($72.9m). Since the beginning of the year, in dollar terms, the TA 100 has declined 9.72 per cent and the Maof 12.07 per cent.

Nevertheless, analysts believe TASE, so far, has weathered the storm. "It could have been much worse," said Daniella Finn, head of the international department at Ilanot-Batucha Investments.

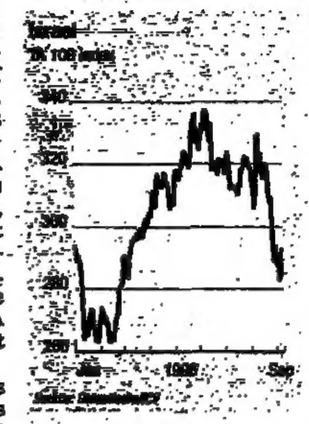
"Investors will continue to shy away from emerging markets. But there is no reason why they should not return here. The fundamentals are good."

But the fundamentals may come under pressure as unemployment rises. It has already climbed from around 6.4 per cent in 1996 to 9.5 per cent last month. This could affect the government's plans to cut the budget deficit to 2.4 per cent of gross domestic product this year and to 2 per cent in 1999. Much will depend on how fast the economy grows.

Still in a recession, GDP is not expected to grow by more than 1.5 per cent this year. The finance ministry is hoping, at best, for 2 per cent growth next year.

In the meantime, the budget deficit targets are under attack. So far this year, the total deficit has reached Shk7.7bn making it difficult for the government to meet its budget deficit target of Shk8.3bn for 1998. And with few signs of unemployment declining, government revenues will be hit.

So far, Yaakov Neeman, the finance minister, is firm in his commitment to reduce



government spending by Shk2.2bn next year to meet his budget deficit criteria. He will have his work cut out.

An ungainly coalition of nationalists and religious parties in Benjamin Netanyahu's government are together demanding an increase in spending of Shk10bn.

It is in this context that the Russian crisis may indirectly be a mixed blessing for the Israeli economy, which, in terms of exports, is not exposed to Russia. About 70 per cent of total exports are earmarked for the European Union and North America.

During the early stages of the crisis, Jacob Frenkel, governor of the Bank of Israel, reduced interest rates, bringing real interest rates down to about 4.5 per cent as inflation for this year is expected to be 4 per cent, the lowest for three decades.

The decline in interest rates had an immediate impact on the shekel. Since the beginning of August, it has lost 6.2 per cent against the dollar.

Many Israeli companies had taken foreign currency-linked loans and were in a rush to repay them, one of the main reasons for the weakness of the Israeli currency. The Russian crisis has contributed to the continuing pressure on the shekel.

The slide in the shekel, however, has been welcomed by exporters, particularly the chemicals, electronics and high-tech sectors, which are considered the engines of economic growth.

Solid ISG, the international investment group, estimates that the Israeli export sector will see profits improve next year due to a weaker shekel, falling import prices and low interest rates.

In its latest economic report, Bank Hapoalim, the country's largest bank, expects exports for goods and services to increase this year by nearly 5 per cent in real terms and by 7 per cent in 1999.

Over the same periods, imports are expected to grow 2 per cent and 4 per cent respectively, bringing the trade deficit down to $6bn.

But will such fundamentals be enough to woo back the investor? Michael Harris, analyst at Merrill Lynch, believes the level of interest rates will be the deciding factor. "The real issue is the interest rate outlook," he says.

But if the governor of the Bank of Israel has his way, well aware as he is of how currency weakness will also put pressure on inflation, he will not be in any hurry to cut rates further until next year's budget is signed and sealed.

Judy Dempsey

Banks rise on US rate hopes

EUROPE

With Wall Street closed, **FRANKFURT** looked to Asia for inspiration and by the close of electronic trade the Xetra Dax index had posted a rise of 80.77 or 1.7 per cent at 4,945.74.

A strong showing in banking shares was attributed to comments by Alan Greenspan, the Federal Reserve chairman, on Friday that raised hopes that US interest rates might fall.

Dresdner Bank led the advances, jumping 6.8 per cent at one stage before settling to close DM1.98 higher at DM73.10.

Deutsche Bank put on DM2.20 to DM106.20, Commerzbank rose DM1.20 to DM108.20 and HypoVereinsbank was DM4.10 higher at DM133.

Daimler-Benz rose DM2.20 to DM163.50 after releasing seven-month figures in line with expectations. BMW was up DM72 at DM1,310 and VW DM3.75 at DM125.85.

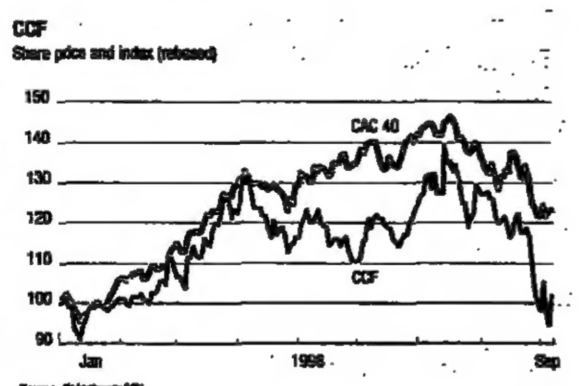
Henkel led chemicals, rising DM13.80 to DM150.35 in a recovery after last week's heavy selling.

Degussa also performed strongly, adding DM4.59 to close at DM84.05.

Deutsche Telekom put on DM3.70 to DM53.70 in response to a decision by Germany's telecommunications regulator that favoured the group and led a competitor to drop offers for low-cost mobile phone calls.

PARIS pared early gains as the dollar weakened in foreign exchanges. The CAC 40 index ended up 2.11 at 3,695.35, more than 65 points short of its session best.

Axa-UAP was heavily dealt as a squall blew up around the shares following last week's profits warning from a US broker in which Axa's US offshoot Equitable has a sizeable shareholding. The stocks came off FFr12 at FFr584 in turnover of FFr687m.



Banks, a weak market lately on Russian lending concerns, rallied, helped by an upgrade for CCF which advanced FFr30 or 7.7 per cent to FFr420.

Paribas raised the stock to "buy" from "no action" ahead of this week's start of the banks' results season. BNP added FFr10.70 at FFr367.50 and Société Générale FFr30 at FFr940.

Oils, which shot higher on Friday on oil-price buoyancy, ran into profit-taking. Total lost FFr10 at FFr630 and Elf-Aquitaine FFr2 at FFr675.

Carrefour, boosted lately by acquisition optimism, came off FFr101 at FFr3,599.

AMSTERDAM ended marginally higher in spite of an uncertain session for financials. The AEX index added 3.53 at 1,076.22.

Dollar concerns hit the financial sector with ABN-Amro off 80 cents at Fl 42.30 in 9.9m shares traded and Aegon down Fl 3.70 at Fl 179. The main upside support came from Philips, up Fl 3.30 at Fl 122, and Unilever, which gained Fl 4.80 at Fl 137.30.

Among brewers, Heineken was the day's heaviest faller, sliding Fl 4.80 or 5.3 per cent to Fl 85.20. Grolsch, which recently turned down a takeover offer from Interbrew of Belgium, came off Fl 1 to Fl 55 after it denied press reports that it was in talks with Bass of the UK.

KLM hardened 60 cents to Fl 62.90 in spite of a decline in August load factors. Elsevier gained 90 cents to Fl 27.70 following an upgrade by local broker Oyens.

ZURICH built on strength in some key Asian markets and was also supported by gains in S & P 500 futures. The SMI index closed 174.5 or 2.6 per cent higher at 6,848.7.

Among banks, CS Group, which will publish half-year figures tomorrow, gained SFr14 or 6.5 per cent to 239.75. UBS put on SFr30 to SFr480.

Insurers were little changed, with the exception of Baloise, which gave up SFr39 to SFr1,019.

Shares in insurer Zurich Group were suspended ahead of an exchange into shares of the new Zurich Allied, which make their debut today.

Zurich Allied is a holding company being formed as part of the merger between Zurich Group and the financial side of BAT Industries of the UK.

Holderbank was SFr42 higher at SFr1,600 as expectations grew that the world's largest cement producer would post a 19 per cent increase in first-half net profit after minorities today.

Roche rose SFr235 to SFr16,050, while Novartis was SFr88 higher at SFr2,358.

OSLO surged 3.4 per cent as oil prices stabilised at higher levels and bargain hunters moved in.

The total index jumped 32.50 to 984.26, extending its rally from last Thursday's 20-month low of 922.

Kvaerner jumped NKr17 to NKr145 and cruise company NCL Holding put on NKr2.20 to NKr21.80.

MADRID was supported by strong demand for defensive sectors, notably retailers and utilities.

Hypermarket leader Pryca surged Pta215 to Pta3,380 while among utilities Gas Natural rose Pta680 or 6.9 per cent to Pta10,490.

In contrast, banks lost ground. Santander came off Pta85 to Pta2,525 and BBV Pta60 at Pta1,800.

The general index closed 9.74 ahead at 749.76 after a peak of 752.17.

MILAN closed higher, but off its best levels of the day, on sharp gains in Eni and a technical recovery in bank shares. The Mibtel index closed up 491 or 2.4 per cent at 20,840, off a high of 20,962.

Eni put on L619 to L10,341, supported by renewed demand for the oil sector and amid rumours that the company might be building a stake in the Slovenian petrol trader, Petrol.

Among banks, BCI rose L143 to L10,493, Credito L350 to L7,722 and Banca di Roma L67 to L2,860.

Fiat put on L75 to L5,312 in spite of news of lower Italian new car sales in August.

Written and edited by Michael Morgan, Jeffrey Brown, Peter Hall and Paul Gregan